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FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JULY 23/JULY 24 1994

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Fears raised of illegal trade in nuclear material

The discovery in Germany of weapons-grade plutonium, believed to have been smuggled in from Russia, has increased fears of a potentially dangerous proliferation of nuclear material from the former Soviet republics. Bernd Schmidbauer, an aide to German Chancellor Helmut Kohl, described the discovery, the first time such material has been found in the west, as "dramatic". A leading US nuclear proliferation expert, Dr William Potter, warned that the find could be just the "tip of the iceberg" involving a growing business in illegally traded Soviet nuclear material. Page 22

Glossos Shares in Europe's biggest drugs company fell 14p to 574p following news of a patent action and counterclaim over US sales of its ulcer treatment, Zantac, which is the world's biggest selling drug. Page 2

Simpson denies murder Former American Football star O. J. Simpson pleaded not guilty to charges that he murdered his ex-wife and a male friend of hers when he appeared in court in Los Angeles.

Memorial, Italy's largest domestic drug group, said it was transferring all manufacturing from Italy to Germany, revealing the move in full-page advertisements in the Italian press. Page 22

Control of Blandford to pass to trust

The Duke of Marlborough won the right to stop his son, the Marquess of Blandford (left), taking control of the family estate of Blandford when he succeeds to the title. The legal ruling allows the Duke to hand responsibility for the estate, valued at more than £100m, (\$156m) to trustees. A statement said the aim of the legal action was not to disinherit Lord Blandford, who has been jailed for drug offences, but rather to protect the estate.

Clinton denies retreat on healthcare President Bill Clinton and Democratic party leaders agreed on a new strategy for the US healthcare reform bill that, the president insisted, would still meet his basic goals, including universal medical insurance cover. Page 3

Apple Computer reported higher-than-expected third-quarter earnings, up 15 per cent on a year ago at \$2.15bn, as sales of its new Power Macintosh products advanced strongly. Page 8

Boost for 'neglected' students Gillian Shephard, new UK education secretary, is to launch a drive to improve academic and vocational training for students aged 16 years and over, a group she feels has been "traditionally neglected". Page 4

Mercedes-Benz is planning a shake-up of its loss-making European bus operations, involving job cuts and the merger of its interests into an independent business unit. Page 9

Murayama to visit S Korea Tomiichi Murayama, Japan's left-wing prime minister, will today visit Seoul to reassure South Korea that it can still count on his country's support. Page 3

Italy clears budget hurdles The Berlusconi government resolved one of the main issues holding up plans to find fresh revenues for the 1995 Italian budget - a pardon for buildings constructed without proper planning permission. Page 2

UK building costs to rise Prices quoted by UK building groups bidding for contracts are forecast to rise by up to 10 per cent over the next year as they seek to recover profit margins and pass on increased material and labour costs. Page 5

Tobacco challenges US tobacco manufacturers have won a court case allowing them to challenge a federal government claim that passive smoking - the inhalation of other people's cigarette smoke - can kill. Page 3

Westinghouse Electric, struggling US conglomerate, reported a fall in net income, to \$75m from \$84m, for the second quarter. Revenues were down from \$2.15bn to \$2.11bn.

Amazon surveillance A consortium led by US electronics company and defence manufacturer Raytheon has won a \$1.1bn contract to build a technological surveillance system in the Amazon rain forest. The system will aid environmental research and help combat drug trafficking. Page 3

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Heat wave revives Japanese consumer spending

By Gerard Baker in Tokyo

Across Japan, Asahi breweries have moved to 24-hour shifts. Sales of swimsuits at Tokyo's main department stores are up by 50 per cent on a year ago. In the capital's electrical goods district, Akihabara, Tokyo residents are buying air conditioners faster than shopkeepers can stock them.

The heat wave could not have come at a better time for Japan's economy. Just as the rising sun looked as if it might choke off the recovery, soaring temperatures have come to the rescue.

"Everything's selling," says Toshio, an electrical goods group. "From our

latest high-tech orange-crusher to the home-made yoghurt maker - all thanks to the weather. People have even got a name for it - the divine wind."

Average daily temperatures were 3.6°C Celsius higher than normal in the first 20 days of July. Last week in Kyushu, the temperature hit 33.6°C, the highest since 1978. Since last summer was a cool, damp squat, this year's heat bodes a strong recovery in personal consumption.

A summer-long increase of 2.4°C in the average daily temperature raises consumption by Yen 600bn (\$5bn), or 0.7 per cent, according to the Yamachi Research Institute. Applying the equa-

tion to current conditions suggests a boost to spending this year of 0.3 per cent. Tax cuts - which come into effect this month - are also lifting demand.

Sales of beer have soared along with the mercury. Every 1°C increase in temperature pushes up daily beer consumption by about 900,000 bottles, or 2.3 per cent, according to one brewer. Asahi, the country's second largest brewer, said a 50 per cent increase in sales had forced it to move to around-the-clock production at six of its eight breweries.

Less intoxicating means of staying cool are also enjoying a bumper season. Best Denki, the largest mass retailer of consumer electronics, said sales of air

conditioners were at record levels. On the hottest day so far, July 3, it sold eight times as many as a year previously. Toshiba reported air conditioner sales up 315 per cent.

Department stores, hammered by 22 consecutive months of falling sales, sense revival with the soaring temperatures. Sales of swimsuits, hats and other hot-weather attire are up by 30 to 50 per cent at the Takashimaya chain.

The warm weather has also come just at the right time for the country's rice crop, according to a survey published yesterday. Bumper crops are expected for the first time for four years - 10 per cent higher than average. The hot, dry

weather is not producing unlimited good news, however. Some parts of the country are experiencing severe water shortages. The two south-western islands of Kyushu and Shikoku have seen little rain since the spring. In Takematsu, on Shikoku, water supply has been cut to five hours a day, and some factories have been forced to close.

But even this has been beneficial economic side-effects. Sales of bottled water have soared, and the best selling new product at the Saitama department store is a shampoo that requires no water to rinse.

French racial violence returns, Page 2
Seeking to allay Seoul's fears, Page 3

Clarke welcomes output figures as GDP rises to its highest level since 1989

UK recovery gains momentum

By Gillian Tett,
Economics Staff

The strength of Britain's economic recovery increased in the second quarter of the year, in spite of April's tax rises, as total output rose above levels seen before the recent recession.

With the manufacturing sector playing a key role in the growth, the data suggested that the UK economic recovery is becoming increasingly broad based.

Gross domestic product grew by a seasonally adjusted 0.9 per cent in the three months to June, compared with the previous three months, the Central Statistical Office said.

Compared with the same period a year ago, second quarter output was 3.3 per cent higher. This was the fastest level of growth for more than five years and suggests that the Treasury's forecast for 2.75 per cent GDP growth this year will be comfortably exceeded.

Mr Kenneth Clarke, UK chancellor, welcomed the figures as "the sort of recovery we want to see", not least because inflation was running at relatively low levels, and unemployment falling.

"I intend to make sure we turn this favourable combination not into a boom which goes bust, but into an upswing which lasts for many years," he added.

The output figures benefited from a strong performance from North Sea oil and gas, which accounted for nearly a fifth of the overall annual GDP growth. Measured without the erratic oil and gas sector, output rose 0.8 per cent in the three months to June,

UK GDP growth
Annual % change (seasonally adjusted)



FTSE 100 Index
Last 12 months



Greenspan helps dollar to rise

Comments by senior US financial officials yesterday helped the dollar rise to its highest level in nearly three weeks, writes Phillip Gavith.

Mr Alan Greenspan, chairman of the US Federal Reserve, restated his view that a strong dollar was in the interests of the US economy. His comments followed an earlier statement from Mr Lloyd Bentsen, US treasury secretary, that he believed very

The US currency closed in London at DM1.5955, nearly two pfennigs up on its Thursday close of DM1.576, but off a high for the day of DM1.6028.

It was only modestly up against the yen, finishing at Yen 78.72 from Yen 78.65. Dealers say the unresolved US-Japan trade dispute, and Japan's large current account surplus, are impediments to further strength of the dollar.

The week has been character-

ised by the concerted efforts of US officials to persuade financial markets that they want a firmer dollar. The belief that the Clinton administration was, at best, indifferent to the fate of the currency was one factor accounting for its recent weakness.

Analysts are reluctant to predict that the dollar's recovery will continue. Most argue that action, in the form of higher interest rates, is also needed.

Currencies, Page 11



Kenneth Clarke: he welcomed the figures as "the sort of recovery we want to see"

port, storage and telecommunications sectors also say strong growth, the CSO said. The retail, hotel and catering sector - the only areas where firm data is available - grew 0.6 per cent, quarter on quarter.

The personal services sector, which includes businesses like hairdressing, however, continues to look weak, the CSO said.

Lex, Page 22

US launches massive aid operation for Rwanda refugees

By Jeremy Kahn
in Washington

President Bill Clinton yesterday announced that the US was mounting "an immediate and massive effort" to help end the refugee crisis in Rwanda.

The US was finalising plans to establish a military base of operations in Entebbe, Uganda, which would serve as the central co-ordinating and staging area for a round-the-clock airlift of medical supplies and humanitarian aid, Mr Clinton said.

US military forces would also work to modify two existing airstrips in Zaire, at Goma and Bukavu, to accommodate flights of relief supplies.

Mr Clinton said the US relief operation had two goals: to alleviate the Rwandan refugees' suffering as soon as possible, and then to secure conditions to enable them to return to Rwanda.

Between 1m and 2m refugees, mostly members of the Hutu tribe, have fled to Zaire in the last week to escape the advancing Rwandan Patriotic Front, dominated by Tutsis. The RPF has just taken power in Rwanda after months of civil war in which the Hutu government slaughtered thousands of Tutsis.

The US army will move immediately to secure a safe water supply for more than 1m refugees living in the camp at Goma.

Continued on Page 22

Mercury loses court battle to change BT's charging regime

By Andrew Adonis

Mercury, the largest competitor to British Telecommunications, yesterday lost its legal battle with the industry watchdog Ofcom to force through a more favourable regulatory regime.

In a ruling with implications for the wider system of utility regulation, the Court of Appeal dismissed Mercury's case without even hearing the substantive points at issue.

By a 21 majority, the court supported Ofcom's claim that it was not appropriate for it to enter into the dispute between the regulator and Mercury over the regime under which BT charges competitors for the use of its network.

However, Mercury was given leave to appeal to the House of

Commons more favourable to competitors.

It was the first time a competitor to one of the privatised utilities had sought to use the courts to influence that regulatory process. Lord Justice Dillon, siding with Ofcom, said the issue was "firmly enrooted" to Mr Crickshank and not a matter for the courts to decide.

Ms Maev Sullivan, Mercury's director of strategy, said: "The real issue - the price competitors must pay to deliver their calls to BT's customers - has yet to be tested by the courts."

Ofcom welcomed the judgment, and said it remained "fully confident" that it had deserved to interpret BT's licence without

Continued on Page 22

MPs plans for BT, Page 5

STOCK MARKET INDICES

	EUROPE	US	STERLING	DEUTSCHE

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NEWS: INTERNATIONAL

Legislation to deregulate Italy's labour market allows for temporary jobs

Rome budget revenue hurdle overcome

By Robert Graham in Rome

The Berlusconi government yesterday resolved one of the main issues holding up plans to find fresh revenues for the 1995 budget - a pardon for buildings constructed without proper planning permission.

At the same time the government has unveiled legislation for deregulating Italy's rigid labour market that introduces for the first time the principle of temporary jobs.

The cabinet failed to agree on the scope of the pardon on

Thursday night because of objections from the Northern League that it would afford a blanket amnesty to many kinds of illicit construction and property speculation. As a result the matter was pushed on the agenda of yesterday's cabinet session.

The pardon which will allow the proper registration of buildings and conversions, is expected to raise L5,400bn (2.3bn) by the end of 1995. A further L12,000bn is expected to go to the city and municipal administrations concerned. It

is estimated that up to 3m families could be affected: but in the previous such pardon in the mid-1980s, less than 10 per cent of the 8m requests were able to complete the required procedures.

The measure runs alongside an amnesty on a backlog of 3.2m tax assessment cases expected to generate most of the L15,000bn in new revenues for the 1995 budget. The cabinet confirmed it would aim to cut the 1994 budget deficit of L184,000bn to L138,600bn next year.

The cabinet also confirmed that key decisions on spending cuts in pensions would not be taken until after the summer recess. Confindustria, the industrialists confederation, while applauding the government's commitment to reducing the public sector deficit expressed disappointment at the postponement.

Confindustria also voiced reservations about the scope of measures approved to regulate the labour market. The measures introduce the principle of temporary employment and

apprentice wages at below minimum rates. But since they were first discussed a month ago with the unions, they have been considerably modified.

The unions have managed to prevent a free hire and fire policy. Instead, temporary employment will be circumscribed by strict rules. For instance, employers can only resort to temporary employment where jobs are being added to a company payroll - not in substitution for existing posts or where jobs have been shed. There are also limits on

the number of temporary employees per company - 10 per cent of the workforce in companies with up to 500 employees - as well as a maximum time span of 12 months.

The government believes up to 200,000 jobs can be created through the new legislation. The unions are more sceptical. Much depends on how additional incentives for job hiring in southern Italy, the worst area for jobless, are applied. The draft law now goes to parliament and could be altered substantially there.

US and Russia disagree on Serbs

Mr William Perry, US defence secretary, yesterday disputed Russia's view that the Bosnian Serbs had responded positively to the international peace plan for Bosnia, Reuter reports from Zagreb.

Russia indicated it believed the Serbs had not rejected the proposals for the division of Bosnia. However, Mr Perry said yesterday: "It was not an acceptance of the plan and that is what the contact group had asked for." Russian officials said the Serbs' demand for more talks was "rather positive" and "not devoid of logic".

"We considered it not a positive answer but a disappointing answer and it is going to greatly complicate the path ahead," Mr Perry said yesterday after talks with Nato and UN peacekeeping commanders on military steps to impose the plan.

A "contact group" comprising the US, France, Britain, Germany and Russia has drafted a plan to split Bosnia almost evenly between the Serbs and a Moslem-Croat alliance.

"We would hope, sincerely hope, that between now and the July 30 meeting [of contact group foreign ministers] that the Bosnian Serbs will reconsider their answer and give them something more positive to work on at that meeting."

Bosnian Prime Minister Haris Silajdzic said the time for talks was over now that the Serbs had rejected the plan. Asked if there was any way his side would negotiate with the Serbs over borders, Mr Silajdzic said: "The answer is no."

Mr Perry was completing a week-long tour through south-eastern Europe to assess military options in Bosnia after the Serb response.

"It was very important for me to get an assessment from them on the alternatives available at this stage... And it's important to understand the implications of going down one road or going down the other," Mr Perry said.

The group evaluated steps both in case of "the optimistic outcome" in which the Bosnian Serbs embraced the plan as is, and the alternative of a "negative reaction - the peace plan not being implemented" by Serbs, he said.

The Serbs did not reject the peace plan outright but attached conditions which would require substantial renegotiations. The Moslems and Croats have accepted but refuse any further bargaining.

Mr Perry's talks centred on a possible increase in international military pressure on Serbs to accept the peace plan - and how to implement any final peace.

The contact group has warned Serbs that international sanctions could be tightened against Serbia and the use of allied air power increased.

González tries to revive party's hopes

Will it be too little, too late for Spain's ruling Socialists? Tom Burns reports

Mr Felipe González, leader of Spain's ruling Socialists, yesterday set about reviving his party's political fortunes and to reinforce the moderate wing as the dominant force in Spanish politics.

Mr González, Socialist leader for almost 20 years and prime minister for nearly 12, opened a gathering of party leaders to address the spate of corruption scandals, the deep economic recession and the bitter divisions within the leadership that together led to a humiliating defeat for the party in last month's European parliament elections.

The prime minister will tell his federal committee that despite the government's dwindling credibility, he intends to stick to his current policies of economic stringency and to serve out his full term until 1997.

He will also continue to seek the support of the Catalan nationalists, whose votes in parliament ensure an outright majority for Mr González.

While there is optimism, mainly among the moderates, that Mr González can revive the party's standing, some believe he is doing too little too late.

Mr Joaquín Almunia, the party's parliamentary spokesman, said the meeting of the Socialists' 212-strong federal committee would round off a slow process of renewal that began when Mr González narrowly won a fourth term in general elections a year ago. This was reinforced in March, said Mr Almunia, when the moderates emerged as a clear majority at the party's first national congress since 1990.

Mr Carlos Solchaga, economy minister between 1985 and 1993, said: "I think Mr González should change the government but it is difficult to see how he can do that." Mr Solchaga resigned as parliamentary spokesman in May when the former governor of the bank of Spain, whom he had appointed, admitted tax evasion.

The prime minister's unwavering stand on economic policy is a victory

for the party's moderates, the so-called renewal faction of moderates, of which Mr Almunia is the party's chief proponent, and a defeat for the left of the party grouped around its long-time deputy leader, Mr Alfonso Guerra. Mr Guerra was deputy prime minister between 1982 and 1991.

Sticking to current policies means

restricting budgets to reduce the deficit, instead of sustained public spending as the left would like. Courting the Catalans, who are politically on the centre-right and embrace the free market, means rejecting the Communist party-led United Left, who are viewed by the

"Guerristas" as the natural allies of the Socialist party.

"The March congress made it clear that González would adopt our ideas," said Mr Almunia. "But renewal got held up by the corruption scandals, by regional party congresses, where the Guerristas tried to fight back, and by the European elections."

Two meetings this month, chaired by Mr González, of the party's 36-member executive commission set the stage for the effective takeover of the renewal faction of modernisers at yesterday's widened gathering of the Socialist leadership.

Mr Almunia and his friends will formally take over key positions in the party hierarchy and, crucially, the renewal wing will wrest control from the Guerristas on the committee that vets the party's electoral candidates.

In the post-mortem delivered to the executive committee on the European elections, Mr González concluded that more damage had been done to the party by its erstwhile centrist supporters who had abstained or voted conservative, than by those who had switched their vote to the United Left ticket.

The message is to win back the centre vote as the economy recovers with a mix of social democracy and market-oriented orthodoxy. Some doubt this is possible, arguing that Mr González has still to deal firmly with the left in his party.

"When you have retreated back through the credibility threshold, and we have unfortunately done so, it is difficult to walk through it again and restore confidence," said Mr Solchaga. "There is a lot of 'Guerrismo' that has to be brushed away."

Another party member, within the renewal faction, put it more bluntly: "What is important is to get the Guerristas out before we lose the next elections, as we assuredly will. That way they won't be around to take control of the party when we're out of power."



A protester demands "water, solidarity and justice" as he stands in a Madrid fountain yesterday. Thousands of farmers were demonstrating in favour of transfer of water to drought-stricken regions.

Ukraine decree to crack down on crime

By Jim Burns in Kiev

Mr Leonid Kuchma, the new Ukrainian president, signed a tough anti-crime decree as his first act in office, local newspapers reported yesterday.

Mr Kuchma's decree, signed on Thursday, was nearly identical to Russian President Boris Yeltsin's anti-crime decree last month. In Russia, the decree has raised concerns that new democratic freedoms are threatened, and that the decree could usher in a return of the old totalitarian, KGB-controlled state.

Mr Kuchma, who promised to crack down on government and business crime in his election campaign, said the broad expansion of police powers was necessary to "strengthen law and order in connection with the extraordinary, complicated criminal situation".

The Ukrainian decree permits police to hold suspected criminals for up to 30 days. Hotels, dormitories and other places where the government believes criminals gather may be raided without search warrants. Police and Security Service agents are granted the right to seize commercial documents from private companies. Half of the proceeds of

raids on illegally-obtained property would go into law enforcement budgets.

Crime has risen sharply in Ukraine in recent years. In the first six months of 1994 alone, authorities say there have been 1,500 murders and 1,065 drug raids yielding about 11 tonnes of narcotics.

A US FBI official in Kiev earlier this month voiced concern that Ukraine was becoming a transit zone from Asia to western Europe in the international drugs trade. He noted that Russian criminal groups exerted a strong influence in Ukraine and often colluded with smaller Ukrainian rackets where profits were to be made.

For Mr Kuchma, the decree serves to launch his presidency on a strong note and to make good on his popular anti-corruption campaign promise.

In a further anti-crime move Mr Kuchma replaced the head of the Ministry of Internal Affairs with a 48-year-old organised crime and corruption specialist who has 22 years of experience in the Soviet KGB. Observers are asking if this is an indirect attempt to merge the police and security ministries into a single, powerful authority, as Mr Yeltsin unsuccessfully tried to accomplish in Russia.

The aim was to stop Ukrainians being outnumbered or threatened by non-Ukrainians, who today make up just under half of the population, as opposed to a quarter before the annexation.

But international organisations such as the Council of Europe, which Ukraine wants to join as soon as possible, said Ukraine had more democratic means at its disposal to protect its national identity and security.

Following the Latvian president's request that parliament re-examine the citizenship law, a new version passed yesterday is now likely to satisfy Latvia's critics in the west.

Latvia relents over curbs on citizenship

By Leyla Boulton in Moscow

Latvia, the Baltic republic, yesterday bowed to international pressure to give up controversial quotas making it impossible for many of its non-Latvian residents to gain citizenship of the newly-independent country.

Latvia's Russian-speaking population increased sharply after the republic was annexed by Stalin in 1940. Last month, the government introduced draconian quotas for the naturalisation of non-Latvians born outside Latvia, in a long-delayed citizenship law.

The aim was to stop Latvians being outnumbered or threatened by non-Ukrainians, who today make up just under half of the population, as opposed to a quarter before the annexation.

But international organisations such as the Council of Europe, which Ukraine wants to join as soon as possible, said Ukraine had more democratic means at its disposal to protect its national identity and security.

Following the Latvian president's request that parliament re-examine the citizenship law, a new version passed yesterday is now likely to satisfy Latvia's critics in the west.

The law still requires that citizens know Latvian (a language which many Soviet-era immigrants never learned).

But instead of imposing quotas on a whole category of the population, the law seeks to prevent "disloyal" individuals becoming citizens by banning the naturalisation of any residents previously involved with specific organisations hostile to Latvia's drive for independence. These include such organisations as the Union of Veterans of the Armed Forces of the USSR, as well as Communist groups or repressive bodies such as the KGB.

It also for the first time introduces a one-year deadline for Latvian officials, who have often been accused of arbitrariness and foot-dragging in the past, to process naturalisation applications. The new law is likely not only to speed Latvia's reintegration with the west, but to improve relations with Russia, which is due to complete a withdrawal of its troops from Latvia by the end of August. Possibly in response to domestic accusations that it was too "soft" on Latvia, Russia has suspended troop withdrawal from Estonia until the rights of the Russian-speaking minority there are assured.

Further evidence emerged yesterday of an acceleration in France's economic recovery with a 3.2 per cent increase in manufacturing output in May compared with April and of a 23.1 per cent increase in the number of housing starts in the first half of 1994 against the same period of 1993. Mr Edmond Alphandéry, economy minister, recently forecast 1 per cent growth for the second quarter of 1994, against 0.5 per cent for the first quarter.

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President denies new strategy
on bill constitutes a retreat

Clinton team agrees stand on healthcare

By Jurek Martin
In Washington

President Bill Clinton and Democratic party leaders yesterday agreed on a new strategy for the healthcare reform bill that would, the president insisted, still meet his basic goals, including universal medical insurance cover.

Only the most general outlines of the Democrats' thinking were immediately available. But Senator George Mitchell, the majority leader, said: "Our plans will be less bureaucratic, more voluntary and will be phased in over a longer period".

Mr Clinton argued that the new approach, outlined after a White House session on Thursday night, did not constitute a retreat as there was agreement on the overriding objectives. These he defined as universal cover, quality and choice of medical care, emphasis on preventative and primary treatment, and cost containment.

He did not mention the controversial issue of requiring employers to finance the firm's share of the insurance premiums of their workforces, but said he had long been flexible on the details.

With the stage now set for the climactic debate in Congress, "now is the time for

those with a better idea to come forward", he added.

Essentially, the president, Mr Mitchell, Congressman Tom Foley, Speaker of the House, and Richard Gephardt, its majority leader, were confronted with a legislative impasse.

None of the bills reported out by various congressional committees commands majority support, nor does the most alternative reform plan offered by the Republicans.

To deal with this, Mr Mitchell said he hoped to have a new draft bill ready to take to the floor of the Senate by the end of next week. It will seek to reconcile the large differences in bills already reported out by the Senate finance and health committees.

The House has scheduled a vote in the week beginning August 8, just before the summer recess.

Mr Clinton has been hinking at flexibility all week, if not all month. Having threatened to veto any bill that did not contain universal cover, he told state governors on Wednesday that 96 per cent coverage could be tantamount to universal cover.

But on Thursday he took a tougher line and continued to insist that the only alternative to the so-called employer mandates was higher taxation.

US court win for tobacco industry

By Richard Tompkins in New York

US tobacco manufacturers have won a court case allowing them to challenge a federal government claim that passive smoking - the inhalation of other people's cigarette smoke - can kill.

If the manufacturers' lawsuit succeeds, it will remove one of the most important foundations of the anti-smoking movement in the US. Public and private sectors alike have used the government's declaration as the basis for widespread smoking bans in buildings and public places.

The government made its assertion in January last year when the Environmental Protection Agency issued a report titled *Respiratory Health Effects of Passive Smoking: Lung Cancer and Other Diseases*.

The report said passive smoking increased the risk of illnesses such as lung cancer and it was a contributory cause of asthma, pneumonia and bronchitis in children. Its most important conclusion was that passive smoking killed 3,000 non-smokers a year, and

it classified second-hand smoke as a class A carcinogen.

However, many smokers say the EPA was determined to show passive smoking killed and manipulated the evidence to suit conclusions it had already made.

The two biggest US tobacco manufacturers, Philip Morris and R.J. Reynolds, have joined with four other tobacco industry plaintiffs in bringing a lawsuit against the Environmental Protection Agency seeking a declaration that the agency's risk assessment should be declared null and void.

They say the agency ignored its own scientific guidelines, overstepped its regulatory authority, used faulty science and improper procedures to arrive at its conclusion, and "cherry picked" data by ignoring newer and larger studies contradicting its conclusion.

The agency sought to have the case dismissed, contending that its risk assessment was not final agency regulation and was not subject to judicial review. But a US district court in North Carolina this week threw out the agency's case, paving the way for an examination of its conduct in court.

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MPs to urge wider role for telecoms groups

By David Owen

British Telecommunications would be free to carry entertainment services in some parts of Britain by the late 1990s under proposals to be unveiled by MPs next week.

The Commons trade and industry committee is expected to recommend sweeping changes to the licensing, franchising and exclusivity arrangements that govern the industry.

The Tory-controlled body is expected to urge ministers to remove uncertainty which MPs feel has been dogging the sector. It is likely to say the regulatory system is too rigid.

The report comes amid mounting calls for the government to rethink its policy banning BT and Mercury Communications from offering entertainment services over their existing networks until at least 2001.

BT is most hard hit because, unlike

Mercury, it has a local network. Sir Bryan Carsberg, director-general of Ofcom, said last month that the ban could create local telecommunications monopolies in the shape of cable-television companies if continued for too long.

His remarks came three weeks after Mr Michael Heseltine, trade and industry secretary, flatly rejected a Labour proposal to lift the ban in return for BT agreeing to

invest heavily in extending fibre-optic cables into its local network. He said it would be "the gravest possible breach of integrity" for the government to go back on its word to the cable companies.

This could have the effect of allowing public telecoms operators into the entertainment market well before the end of this decade.

Many observers believe the strongest case for an early lifting of the ban is in parts of the country

not covered by cable franchises. Ofcom, the telecommunications regulator, is empowered to report on the desirability of lifting the ban from 1998. But Mr Don Cruickshank, Ofcom's head, has played down the prospect of even a review of the BT ban before 2001.

The cable companies say the ban is essential to ensure the viability of their planned £500m investment in the next five years.

Swans bidder to meet Rifkind

Mr Malcolm Rifkind, the defence secretary, and Mr Roger Freeman, defence procurement minister, will on Tuesday meet the head of Sofia, the parent of the French-based company CMN which is the sole prospective buyer for Tyneside shipbuilder Swan Hunter, Chris Tigne writes.

CMN has said it will only buy the yard if the government guarantees two years' base workload. Swans' present work finishes in November.

An offer to Swans by the Ministry of Defence of the £5m raft of the Royal Fleet Auxiliary tanker Olwen depends on the yard finding a buyer and ending its receivership by August 1.

MetroCentre to open on Sundays

The Church Commissioners, landlords to the MetroCentre in Gateshead, Tyne and Wear, are to allow the shopping centre to open on Sundays.

Approval follows an 80 per cent vote in favour by tenants.

Consortium set to buy LT advertising

London Transport looks set to sell its advertising arm, London Transport Advertising, to a consortium led by the largest transport advertising company in the US, Transportation Displays Incorporated, and Hambro Group Investments.

LT said yesterday that it was dropping all but two from its shortlist - the consortium, and a management and employee buy-out. LT said the consortium was its preferred bidder. The sale is due for completion before the end of August.

ITN and NBC to share news material

Independent Television News is to supply news packages to NBC, the US network, and its affiliate stations in a deal that also allows ITN to use NBC material.

The deal follows a decision by ITN to sell its news coverage directly rather than having it handled by Worldwide Television News.

Easing of radio rules is sought

The Radio Authority has asked the government to simplify ownership rules for commercial radio stations.

Limits on how many stations a company can own are determined by a points system. A national commercial station is worth 25 points, while a local station is worth three points.

No group can own more than 15 per cent of the points or more than 20 licences, more than six London and large metropolitan stations, or two FM stations in any area.

The authority wants to preserve the 15 per cent rule, but believes most of the others are no longer necessary.

Airport reports fall

Manchester Airport's profits fell to £16.5m in the year to the end of March compared with £38m in 1992-93 because of higher operating costs and interest charges after opening its second terminal last year.

Union chief dies

Alex Ferry, former general secretary of the Confederation of Shipbuilding and Engineering Unions, has died aged 63.

Court fails to answer Mercury's bitterness

Andrew Adonis
on a decision
which will
affect utilities
and regulators

The refusal by the Court of Appeal yesterday to interfere in the dispute between Mercury and Ofcom, the telecommunications regulator, will not only affect Mercury. It has ramifications for wider telecoms competition in the UK and for the relationship of utility regulators with the courts.

Mercury has long been aggrieved by what it regards as excessive prices it pays British Telecommunications for delivering its long-distance calls to their final destination across the local BT network.

This discontent has turned to bitterness in the face of recent large cuts in BT prices and fast-growing competition from new operators licensed since the abolition in 1991 of the BT/Mercury monopoly.

Although BT carries 85 per cent of all phone calls by value, the new competitors could harm Mercury more than BT because their target is the corporate market, which is Mercury's main source of revenue.

Mercury's complaints are complex but boil down to two issues.

It believes that the so-called "access deficit contributions" (ADCs) - which it pays to compensate BT for losses it makes on its local network -

are a tax on competition.

It also challenges the current basis for interconnection payments.

Mercury says that a capacity-based system - under which competitors would pay BT mostly for peak-rate capacity, not individual calls - would be fairer than the current per-call system.

The court case concerned the latter issue, capacity-based charging.

Unless Mercury can persuade the House of Lords to overturn the Court of Appeal's decision it will have to return to Ofcom to secure a change.

Ofcom says, however, that Mercury has provided it with no more than a sketchy outline of the new system it wants, and industry analysts are sceptical that a capacity-based system could be made to work in practice.

In the process, however, Mercury has raised important questions about the role of the

Backbench pressure over plans for Ulster assembly

By David Owen

Senior Conservative backbenchers are stepping up pressure on the government to accede to unionist calls to finalise plans for a devolved Ulster assembly without waiting to agree an all-embracing settlement.

Senior MPs are encouraging ministers to abandon the old "nothing is agreed until everything is agreed" formula governing political talks on Northern Ireland's future, in favour of an undertaking that nothing is implemented until everything is agreed.

They suggest such a change could enable cross-party backtracking for a blueprint for devolved government to be secured more quickly without departing from the so-called three-stranded approach supported by nationalists.

This requires relations between Ulster and Dublin and London and Dublin to be dealt with in the same process as the province's internal politics for the purposes of the current talks.

News of the MPs' initiative emerged amid indications that unionists and Tory right-wingers have been heartened by remarks made by Sir Patrick Mayhew, Northern Ireland secretary, this week.

Sir Patrick told the Daily Telegraph that Dublin's territorial claim to Ulster was the central issue to be resolved in drafting a joint framework document aimed at encouraging the European Court of Justice in Luxembourg.

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Meanwhile leaders of Sinn Féin, the IRA's political wing, prepared for this weekend's conference - at which the party's response to the Downing Street Declaration is expected to be decided - as the cycle of violence in the province continued with a killing and a spate of firebomb attacks.

Bobby Monaghan, 44, a Catholic barman from the outlawed Ulster Freedom Fighters in Newtonabbey, north of Belfast.

In London, two High Court judges indicated that they intend to refer the government ban on Mr Gerry Adams visiting mainland Britain to the European Court of Justice in Luxembourg.

'Manchester plc' profits up

By Ian Hamilton Fazey, Northern Correspondent

"Manchester plc", the aggregation of the results of the top 100 companies in the comribution, made £1.45bn pre-tax profit in 1993-94, a rise of 6.5 per cent over the previous year's £1.35bn - in spite of the period reflecting the worst effects of recession for many of the companies involved.

The "accounts" compiled by Manchester's KPMG Peat Marwick, lag the economy because they are a compilation of fig-

ures which are themselves historical.

Mr Alan Benzie, managing partner of KPMG in Manchester, warns that confidence remains fragile and the strength of recovery will require careful monitoring if companies are to become sufficiently reassured to try to force expansion again.

Turnover - the criterion by which the 100 companies were selected and ranked - was only £10,000 short of £25bn, compared with £27.94bn in the 1992-93 "accounts". Although

this was only a 3.8 per cent increase, as opposed to the previous year's 4.9 per cent, it was ahead of an inflation rate of less than 3 per cent.

This means that combined with increased profitability, industry and commerce gained in efficiency and performance as recession forces restructuring, on manufacturers in particular. This helped ensure an almost unchanged return on capital of 8.3 per cent.

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FINANCIAL TIMES

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Saturday July 23 1994

Policy in the upturn

Now more than ever, the makers of monetary policy can expect their every word to be probed for signs of a change in policy. The trouble is that both the tools of their trade and market reactions to their efforts have become increasingly unreliable.

The obvious approach is to make things clearer. The decision to publish the minutes of the British chancellor of the exchequer's monthly meetings with the governor of the Bank of England was a significant step in this direction. In the account of the June meeting – published this week – Mr Eddie George judged the situation "very favourable" and Mr Kenneth Clarke was happy to agree.

UK growth in output, as evidenced by Friday's preliminary estimates of growth in total gross domestic product of 3.3 per cent for the year to June, continues to exceed the historical trend. Excluding the erratic output of oil from the North Sea, however, the increase was only 2.7 per cent.

Although the narrow measure of money supply is currently growing above its target range, the eclectic range of other monitored variables does not indicate any need for immediate monetary tightening. Or so the chancellor and the governor agreed.

Their judgment looks sensible. One reason the Bank seems to be relatively sanguine about inflation is its estimate that the economy has an output gap of 6 per cent of GDP, following the long recession. For all that, bottlenecks may emerge quite soon. The steep slope of the UK yield curve indicates that the markets are concerned about the possibility of higher inflation (and higher interest rates) in the not too distant future. Base rates will indeed have to rise from their current low level, though, with luck, not much before the end of the year.

Timid moves

The same has been said for some time about American official interest rates, an impression which the Federal Reserve chairman, Mr Alan Greenspan, did nothing to remove this week. During the first of his biannual testimonies to Congress at the beginning of the year, he tried to forewarn the markets of higher interest rates. Consequently, he was surprised by the dramatic plunge in the bond market that followed his first timid moves towards a long-cavassed tightening of the US monetary stance.

It seems that for a central bank to explain what it is about to do is not as helpful as might be expected. The only answer is for it to try still harder. One thing has consistently pointed out is that for the US to take the lead in tightening

ing monetary policy is a necessary side-effect of America's head-start in the world's move out of recession. He also signalled that the international aspects of monetary policy – above all, the level of the dollar – were not going to be left out of the equation.

Bids for a dollar recovery are also being voiced by members of the Clinton administration. Yet, ever since the G7 in Naples decided that the dollar's fall could not be prevented, the currency has in fact stabilised. An adapted law of unintended consequences might suggest that supportive comments from Washington will send it down again. A steady further depreciation of the American currency remains the conventional financial market wisdom.

But the market's conventional wisdom is almost automatically wrong. If everyone has sold the dollar short already, who is left to do so?

Odd weakness

For all the concern about the American trade account, the dollar's weakness looks somewhat odd, given that short-term US interest rates may soon exceed German ones, an event which Mr Greenspan's careful comments bring closer. The betting on such a "cross-over" was only marginally confused by the Bundesbank's decision, announced on Thursday, to fix its "repurchase" rate at 4.85 per cent for the next four weeks.

In effect, this reduced the rate by only 3 basis points over the coming weeks, a contorted way of limiting speculation about the timing of future rate cuts.

The Bundesbank had reason enough for its contortions. It has been cutting interest rates in the light of the performance of inflation, which has been falling, and of the economy, which has been recovering slowly. In the meantime, it has chosen to ignore its target for broad money, whose growth this year has been far above the 4.6 per cent target range.

In the last two months, however, the money supply has ceased growing, while the economy has been picking up. As a result, pressure to cut interest rates has diminished. It is even possible that German interest rates are not far from their floor. This week's talk from the Bank of Japan about recovery suggests that the same is true there.

Yet even if the global short-term interest rate cycle is near bottom, US and, for that matter, UK rates are almost certain to rise, relative to those in D-Marks and yen. In their myopic way, markets may suddenly notice this development. If so, the story of the second half of 1994 might be the strength of the dollar, and even of the pound.

"The record is grim and it is no exaggeration to talk of crisis... What is needed is a new kind of social compact, an agreement within the world community that the struggle against poverty in Africa is a joint concern which entails responsibilities for both parties."

– World Bank, 1981

The warnings have gone unheeded. Now come signs of a continent under intolerable strain, poised between crisis and catastrophe, lacking both the capacity and the will to implement economic and political reforms.

Rwanda is the latest in Africa's roll call of disasters over the past 20 years, during which at least 10m people have died and as many have become refugees. For some governments, the strain has proved too much.

Zaire, almost straddling the waist of Africa, is less a state than a collection of fiefdoms. Sudan, Africa's largest country, has been destroyed by civil war, and Sierra Leone, Liberia, Somalia, Angola are joining them. Worse may be to come, for two of Africa's most important countries are now at risk: Nigeria in the west and Kenya in the east are both showing signs of stress.

Nigeria's leaders squandered \$100bn of oil earnings over the decade of the oil boom from the 1970s to the early 1980s. External debt, currently \$34bn, rises by \$2bn a year, the civil service is undermined by political interference and corruption, per capita gross domestic product has halved since 1980, the fault line is deepening between Moslem north and Christian south.

Meanwhile, Kenya is battling against impossible odds. Its population has tripled over the past 20 years to 25m, land hunger grows, unemployment rises, and 400,000 school-leavers compete annually for 20,000 jobs in formal employment. Corruption and vested interests stand in the way of effective reform.

Meanwhile Africa's rare success stories such as Ghana and Uganda, are not inspiring. "Current growth rates among the best" [emphasis added] African performers are still too low to reduce poverty much in the next two or three decades," warned a recent World Bank review.

The Bank's hopes, back in 1989, that African economies could grow at a rate of 4 to 5 per cent proved optimistic. Growth has been barely half that, well below the region's 3.2

It has happened again, and on the most horrific scale yet. True, the absolute number of refugees displaced by the Afghan war was higher, but that problem built up over a period of years.

In Rwanda, more than 2m people have fled into neighbouring countries since April 6; most of them within the past two weeks. And, as Boutros Boutros-Ghali, the UN secretary-general, said yesterday, "another million may be on their way". If one adds the people displaced within the country, more than 8m people have been uprooted.

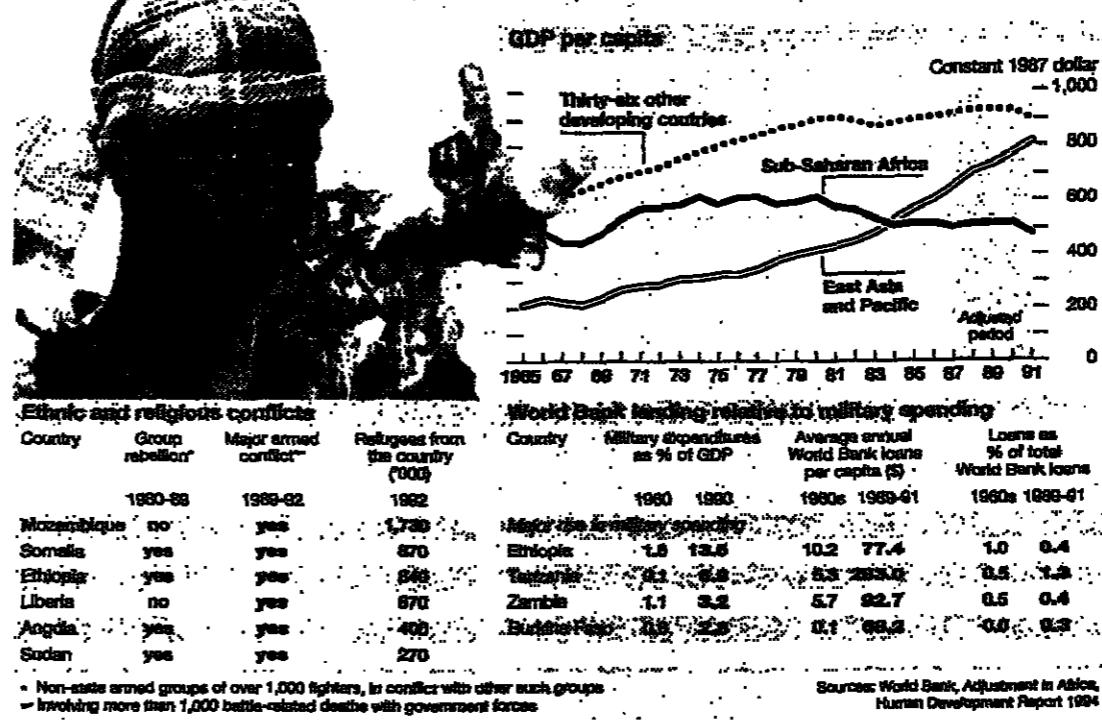
As many of these people face death by starvation, or from cholera and other diseases to which their resistance is lowered by malnutrition and lack of sanitation or clean drinking-water, clearly the first priority must be to get emergency aid to them in the shape of food, medical supplies, water tanks and equipment for digging latrines. The UN yesterday issued

The sounds of a continent cracking

Michael Holman says the west must recognise its self-interest in dealing with the crisis engulfing Africa



Africa: from crisis to catastrophe



Source: World Bank, *Adjustment in Africa: Human Development Report 1994*

per cent annual rise in population.

Unless Sub-Saharan Africa's "poor" economic policies improve, it will be 40 years before the region returns to its per capita income of the mid-1970s, says the Bank.

Dissenting voices suggest ways out of the predicament. "More aid" cries one.

But aid has increased and the crisis deepens. Net aid transfers to Africa increased from 1.6 per cent of regional GDP in the early 1970s to 8.3 per cent in the late 70s, reaching 11.7 per cent of GDP by 1990. Sub-Saharan Africa's share of global aid is up to 38 per cent in 1991 from 17 per cent in 1970. A decade of structural adjustment, and net aid flows

of \$170bn, has stemmed the region's decline but not launched a revival.

"Reform the international trading system," cry others, pointing to Africa's deteriorating terms of trade. Perhaps, comes the response, but why has Africa lost its market share of cocoa, tea, coffee to other third world countries who live under the same system?

What can be done?

• First, the World Bank, the continent's leading donor, and the aid agencies must find common cause. Africa needs their vigorous lobbying of the west's decision makers. John Clark, who used to work with Oxfam, put it well in his book, *Democratising Development: The Role of Voluntary Organisations*.

• Non-governmental organisations, he says, "will make little headway unless their ideas are grounded in economic reality and unless they search for positive as well as nega-

tive lessons within the programmes of the World Bank and other practitioners of development orthodoxy."

• Once there is agreement on the economic and political agenda, non-governmental organisations should play a greater role. In certain countries, where the management capacity of government is weak, NGOs should run primary health care, or primary education, or drought relief.

• The private sector should make investment decisions, rather than aid workers without the necessary skills.

• Increase transparency. Too often donors are willing to conceal what they know about corruption in African governments. They fail to insist on minimum levels of accountability and access to information. By withholding or denying African electorates information about structural adjustment programmes, they stifle debate about economic policy.

• Constitution making. Hopes for the revival of democracy will be dashed unless Africa draws up constitutions which take account of ethnic, religious and regional differences. Rebuild the parties and institutions of democratic government.

• Set levels of military spending at a percentage of GDP below spending on housing, education and health.

• Radical measures to ease Africa's debt burden should be accompanied by tougher monitoring of reform policies, including donor officials in institutions such as central banks and finance ministries.

• If governments are not willing to embrace structural adjustment and good governance requirements, then donors should only finance humanitarian projects.

Above all, the west must be motivated by self-interest as much as compassion in its response to the African crisis. Possible solutions will only be implemented when an ailing Africa is seen as a threat and as a loss.

As Africa's economy declines, so immigration to southern Europe will rise; Moslem extremism will intensify; drug-trafficking will increase; disease, disease and the discovery of bubonic plague in Zaire, will pose a serious health problem; environmental erosion or neglect will lead to the destruction of valuable flora and fauna.

Africa cannot be ring-fenced: and the longer a co-ordinated response to its crisis is postponed, the more daunting become the problems and more serious the consequences of failure.

Food, water – and troops

Edward Mortimer on how the world should aid Rwanda

international director of the British charity ActionAid. After blaming the French for restricting the number of flights, the UN has now taken control of the airstrip at Goma, only to find it is the Zairean authorities which have imposed a limit of 20 flights a day. One of the most urgent priorities is therefore to "persuade" them to relax that limit, and to put in an expert team to maintain the runway so the strip can take flights around the clock.

It is clear that humanitarian aid is not enough to cope with this situation. Indeed, it may make matters worse if it is concentrated on or close to the borders, and thereby encourages the population to gather there in large concentrations where they will become permanently dependent on international relief. It is vital to get people back to their homes quickly.

This is also what the new government wants, and it therefore has a strong incentive to co-operate with the UN in reassuring people that they will not be massacred. But mere verbal assurances will hardly be enough. Aid should be made available inside the country to returning refugees, and there will have to be a visible presence of foreign troops to reassure them.

The French deserve credit for saving thousands of lives in the area they have occupied. But many of the people who carried out the genocide against the Tutsi in April and May have taken refuge in that area which the French now propose to leave by August 22, taking all their equipment with them. If

they are to be replaced by ill-equipped African troops, it is vital that they be persuaded either to leave or to replace their equipment, and that other countries with well-equipped armed forces make good on the promise to provide equipment which they gave back in May. It would be even better if some of those countries were willing to send their own troops.

Troops are necessary, but should be there only to stabilise the situation during a political reconciliation process, which may be easier at local level, given strong community leadership, than at the top. Clearly the RPA will not forgive the main instigators of genocide, but it should be helped by external powers to set up an unimpeachable judicial process, and it must be persuaded to limit retribution to the main instigators. If every Hutu who were to be hunted down, much of the population would choose to remain in exile and prepare for yet another "war of liberation".

MAN IN THE NEWS: Brian Lara

Lara's lucrative theme

Brian Lara, the phenomenon from Trinidad, broke another world record last week, landing the largest individual corporate sponsorship contract ever awarded to a cricketer.

Mercury Asset Management, the UK's largest fund manager, has signed Lara to a two and a half year contract for £100,000. Its value could rise to £500,000 depending upon his performance on the cricket field. MAM has also informally agreed to make contributions to mostly Trinidadian charities in Lara's name.

This deal is unique in a sport in which the average England county cricketer earns £20,000 a year or less. Nick Leigh, a director of Birmingham-based Kennedy Street Enterprises, the agent for Ian Botham and Viv Richards, says it is worth paying Lara such sums because of the crowds he attracts.

"You go to your average county cricket game and it's just one man and his dog," he says, adding that the attendance is perhaps 1,800.

Denis Amis, chief executive of Warwickshire, Lara's club, says gate receipts from crucial home matches are likely at least to double this year to £100,000. He says Lara's arrival added 900 members to the club, to take the total to 8,400.

The conversion of Brian Charles Lara, cricket sensation, into Brian Lara, earnings sensation, occurred over several years, according to his agent, Mr Jonathan Barnett, director of Stellar Promotions.

Lara is the youngest of 11 children of a close-knit family from the village of Canta, Trinidad. Barnett says Lara got his first cricket bat at the age of six from an older sister who had spotted an advertisement in a local newspaper for the Harvard Clinic, where children were

taught cricket.

Barnett first met Lara, then 22, during the West Indies tour of England in the summer of 1991. He was a junior player who never got onto the field, but even so, West Indian batsman Viv Richards hailed him as the next sensation from the Caribbean.

Barnett, who used to run the sports promotion division of the failed Levitt Group, was asked by Richards' then agent, David Cobb, to take Lara on as a client. Richards' own agent was leaving the business and could not do it himself. "I went to see him up at Worcester," Barnett said. "Viv introduced me to Brian Lara and said, 'This guy is going to be a star'."

Sponsorship came early. Since he was a teenage batting sensation in Trinidad, Angostura Bitters has been a backer, putting Lara on the payroll as a public relations consultant. Smaller local firms have paid for coaching sessions and equipment. "The ones who sponsored him early we have kept on," Barnett said. "And we haven't raised the rates."

The first sponsorship deal arranged by Barnett was a \$10,000-a-year contract with Oakley, the US-based sunglasses manufacturer, which also signed similar contracts with two other Pakistani cricketers, both clients of Barnett. Although Barnett was unsuccessful in negotiating a sponsorship arrangement for Lara with BWIA, the West Indian airline, Lara was given the equivalent of £40,000 worth of free air miles for himself and his mother, Peter.

When Shammi Ahmed, chief executive of Joe Bloggs sportswear, saw Lara off on a flight after his triumphant West Indies tour in



April, wearing a Joe Bloggs shirt, he approached Barnett about a deal. Lara wears the company's jeans and T-shirts exclusively whenever he wears casual clothing, and the company is marketing a line of shirts and trousers to capitalise on his batting style.

It was Barnett who initiated the deal with MAM. David Manasseh, Barnett's partner, said he spotted MAM's use of vivid sports imagery in the company's first-ever print advertising campaign and asked whether it would like a real sports superstar to promote its image. The answer was a resounding yes.

But despite the higher profile that Lara has brought to the game and to his sponsors, questions are being raised by sports commentators and other cricketers about the effect of the sponsorship contracts on his talents. He has been criticised in the press for taking out a mobile phone on the field, with commentators pointing out that one sponsor is a mobile phone company.

Whatever Lara does, he has already made history.

Norma Cohen and William Lewis

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COMPANY NEWS: UK

From price war to bid battle?

Neil Buckley on the likelihood of J Sainsbury entering a fight for control of Wm Low

A counter-bid next week by J Sainsbury to Tesco's agreed bid for Wm Low, the Scottish supermarket group, is widely expected by the City, but some analysts remain doubtful that the UK's biggest food retailer will enter the fray.

Ever since Tesco, the UK number two, unveiled a recommended bid worth a total of £200m for the Scottish chain nine days ago, speculation has been rife about a bidding war.

Tesco's 225p a share bid values Wm Low at £155m, and it would assume debt of just over £50m. Low's shares closed up 3p at 265p yesterday, in the clear expectation that either Sainsbury would enter the game, or Tesco would be forced to raise what is now being seen as a low offer.

Wm Low, which has 57 stores and 6 per cent of the Scottish market, confirmed on Monday that it had responded to a request for information from Sainsbury.

Sainsbury might have been taking advantage of UK company regulations during take-over bids to gain information about a competitor. But the City has interpreted its silence this week as a sign it was weighing up a bid.

There are, however, two main reasons why Sainsbury might not make such a move.

One is corporate culture. A hostile bid would be out of

Argyll changes stockbroker

Argyll, the UK's third-largest grocery retailer, has replaced Warburg Securities with E&W as its stockbroker. E&W will be joint brokers with Panmure Gordon. No reason was given for the move. Argyll, however, has long been thought to be not entirely comfortable about Warburg also being broker to J Sainsbury.

character for a company that retains some of the ethics of the business.

But such a move might have been unthinkable for Lord Sainsbury of Preston Canover, the patrician former chairman, many analysts believe Mr David Sainsbury, his cousin and successor, would have few qualms – provided he thought it made commercial sense.

That is the second, and more likely, reason why Sainsbury might hold back. The group indicated strongly when announcing its results in May that the US was the likely venue for expansion. Rumours have been circulating this week that Sainsbury may be closer to making a US buy than previously thought, and may wish to save its money.

Set against that are strong commercial arguments for

expanding into Scotland which, unlike much of England, is under-provided with supermarkets.

Only Argyll, whose Safeway and Presto chains have 16.6 per cent of the Scottish market according to research group AGB, and Asda with 12.2 per cent, have a significant presence. Co-operative societies have 8.9 per cent, but small independent grocers dominate many areas.

Sainsbury, which has 4.8 per cent and until last year had only one supermarket in Scotland, has firm intentions to expand there. Its first supermarket in Edinburgh last year was one of its most successful openings in years.

But expansion has been difficult. It has been outbid by Safeway for two prime sites, and fought battles with Glasgow city council and Strathclyde regional council over planning permission for others.

Buying Wm Low would be a quick way of more than doubling Sainsbury's Scottish market share. The same logic, of course, attracted Tesco, which has a 7.1 per cent market share in Scotland.

Analysts believe either group could enhance the performance of Wm Low stores by cutting overheads and absorbing them into their business, and the purchase could add about 5 per cent to their pre-tax profits.

Many believe Sainsbury has



David Sainsbury: any bid would have to make commercial sense

nothing to lose by bidding. Tesco's offer is seen to price Wm Low cheaply, with Bell Lawrie White, the Scottish broker, valuing its assets at 245p share.

If Sainsbury were to be successful with a bid at 260p or 270p, the market would still consider that a good price.

If Tesco responded by raising

its bid to 290p or 300p, Sainsbury would have the satisfaction of having forced its rival to pay an extra £60m. Alternatively, Sainsbury could launch a "knock-out" blow of 300p or more, to try to ensure victory.

"I can't see the downside for them in bidding," said one analyst. "They won't want to see Tesco get it on the cheap."

TT makes agreed £16m offer for Dale Electric

By David Wighton

Dale Electric, the North Yorkshire-based generator manufacturer, has agreed a £16m bid from TT Group, the acquisitive conglomerate.

TT's offer of 70p a share cash is recommended by the directors headed by Mr Iain Dale, chairman, who have accepted the terms for their 3.5 per cent holding. TT already owns a further 3.5 per cent.

Mr Dale expressed sadness that the company was giving up its independence after 58 years but said it needed to be part of a bigger group to survive in increasingly competitive international markets. "In the last 10 years we have not been able to offer consistency

of profits and the best way forward for the business is from within another group."

The company was founded in 1935 by Mr Dale's father Leonard, a milkman and cinema projectionist. After enjoying strong growth in the 1970s, Dale was hit hard by the recession in the early 1980s and more recently by the downturn in aviation markets and unfavourable exchange rates.

In 1987 Dale fought off a bid worth 136p a share from Sunbeam and the shares reached a high of 147p in 1988. They closed at 61p, up 1p, yesterday before the bid was announced.

As an alternative to cash TT is offering one of its shares for every five Dale, valuing each at 12p. The company returned to an

operating profit in the second half but is not paying a final dividend.

Mr John Newman, joint chief executive of TT, said he was happy that Dale's finances had been "cleaned up" and was confident that returns could be improved rapidly. He could not comment on prospects for the group's 700 employees but said: "Our intention is to grow the business."

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INTERNATIONAL COMPANIES AND FINANCE

Apple's third quarter tops market expectations

By Louise Kehoe
in San Francisco

Apple Computer yesterday reported higher-than-expected third-quarter earnings, as sales of its new "Power Macintosh" products introduced in March advanced strongly.

Third-quarter revenues were \$2.15bn, up 15 per cent on a year ago.

Net income for the quarter, before the effect of a one-time gain, was \$59.5m, or 50 cents a share. In the same period last year, Apple had earnings of \$10.6m, or 9 cents, before restructuring charges totalling \$320.5m.

Part of this charge was reversed in this year's third quarter, producing a gain of \$126.9m, or \$7.8m after tax.

The company said it had modified and eliminated some

of its original restructuring plans due to lower-than-expected expenses and changing market conditions. These plans had included moving certain operations to new locations in the US.

Accounting for the effects of these items, net income for the quarter was \$128.1m, or \$1.16 a share, compared with a net loss of \$16.3m, or \$1.63, in the third quarter a year ago.

Apple said it shipped more than 200,000 of its Power Macintosh personal computers during the quarter, up from sales of 150,000 units in the second quarter.

"We are pleased to see industry support building around the Power Macintosh. More applications are arriving from software developers, and customer response to this new industry platform has been

very good," said Mr Michael Spindler, president and chief executive.

Increased sales of Power Macintosh, and the company's latest notebook computers, helped to drive gross margins up significantly in the quarter, to 26.7 per cent of sales from 24.0 per cent in the previous quarter.

"Over the last quarter we have improved our financial model, controlled our costs, and managed our working capital extremely well," said Mr Spindler.

For the first nine months of 1994, Apple reported revenues of \$8.7bn, up from \$5.8bn a year ago.

Net income after restructuring charges and reversals was \$195.5m, or \$1.65 a share, for the nine months, compared with \$83.9m, or 70 cents.

Canal Plus, Bertelsmann in pay-TV joint venture

By Alice Rawsthorn
in Paris and Judy Dempsey in Berlin

Canal Plus, the French television company, and Bertelsmann, the German publishing group, are to set up a joint venture aimed at tapping pay television services throughout Europe.

The companies, which will invest more than DM700m (\$446.9m) over the next three years, will also specialize in digital technology, and create a joint fund to buy programmes and movie rights.

Canal Plus had a turnover of FF8.7bn (\$1.62bn) last year, and Bertelsmann, one of Germany's largest private investors in television, had a turnover of DM1.7bn.

The deal is the latest in a series of joint ventures between the two companies. In 1992, they formed a joint venture to buy the French magazine *Paris-Soir* and its publishing arm, and in 1993, they formed a joint venture to buy the French magazine *Paris-Soir* and its publishing arm.

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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS
Coffee down
but frost
fears remain

London coffee traders were yesterday ensuring that they would not catch a cold if there was another frost in Brazil over the weekend.

The selling that had driven the London Commodity Exchange's September robusta futures price down by more than \$350 a tonne dried up in mid-week and yesterday's close of \$3,640 was \$170 off the low.

Traders had not changed their minds about the market, however; they still thought a re-fracture justified after the recent spectacular surge to 8-year highs. The main reason for the buying was determination not to have to repeat the undignified scramble for cover that followed this year's second damaging Brazilian frost two weeks ago.

No frost is predicted for this weekend, but traders were taking no chances. "If there's no frost then we could see \$300 on the downside next week," on the week but \$425 off the high.

In contrast to last week, when it reached a 39-month high and flirted with overhead resistance at \$1,550 a tonne for three months delivery, the alum minimum market ended this week testing support above \$1,500 a tonne.

Cocoa emerged from coffee's shadow at the LCE on Monday morning when the September futures position jumped more than \$40 to a 6½-year high of £1,112 a tonne. The move above £1,000 attracted sellers, however, as did subsequent forays. Only on Thursday did the price close above that level and by yesterday's close it was back to £1,092, up £24 overall.

Monday's move had been triggered three days earlier when New York cocoa futures shot up in last minute trading. As with most commodity price surges of late, investment fund buying was mainly responsible.

The bulls were not dismayed at their failure to break decisively through the \$1,000 barrier. "The fundamental picture is of continuing deficit with rising consumption, pointing to higher prices," one trader told Reuters. "The market

remains buoyant and we're seeing a consolidation phase," explained another.

At the London Metal Exchange copper's leap on Wednesday to a two-year high failed to inspire the other base metals markets.

Once again it was to investment fund buying that the three months delivery position's \$77.50 rise was attributed. Dealers suggested that the fund managers had tired of the palladium market, which they recently drove to a five-year high, and decided to turn their attention to another metal that would benefit from increased international economic activity.

The upturn was not maintained, but the copper price did manage to consolidate above

LME WAREHOUSE STOCKS (tonnes) At Thursday's close

Aluminium alloy -300 to 2,600-100

Copper -1,325 to 33,000

Lead -400 to 350,000

Nickel -252 to 132,616

tin +180 to 1,975 to 30,550

the psychologically significant \$2,500 level. It closed yesterday at \$2,514.50, up \$0.75 on the week but \$42.50 off the high.

In contrast to last week, when it reached a 39-month high and flirted with overhead resistance at \$1,550 a tonne for three months delivery, the alum minimum market ended this week testing support above \$1,500 a tonne.

The market seemed to take little comfort from a pledge by the leading producing countries to maintain the voluntary agreement that is seeking to cut world production by up to 2m tonnes for two years.

Delegates at a meeting in Canberra heard that Russia, while contributing to the output cuts, albeit at a slower rate than it had agreed, was still exporting as much as ever, and this can have done little to bolster sentiment.

News yesterday of another big cut in LME warehouse stocks was ignored as the aluminium price fell \$2.50 to \$1,510 a tonne, down \$450 on the week.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	Low
Gold per Troy oz.	\$384.70	-0.50	\$390.50	\$386.50	\$385.50
Silver per Troy oz.	344.45	+1.15	335.75	345.50	335.50
Aluminium (99.7% cast)	\$1,485.00	-0.120	\$1,505.00	\$1,475.00	\$1,475.00
Copper Grade A (csm)	\$2,020.00	-0.370	\$2,075.00	\$1,975.00	\$1,975.00
Lead (csm)	\$575.00	-0.16	\$580.00	\$572.00	\$572.00
Nickel (csm)	\$5,157.50	-21.75	\$4,955.00	\$4,940.00	\$4,920.00
Zinc (csm)	\$967.00	-1.90	\$971.5	\$1,014.00	\$900.50
Tin (csm)	\$523.00	-2.10	\$540.00	\$560.00	\$570.00
Coffee (Arabica) Sep	\$1,020.00	-0.00	\$1,020.00	\$1,020.00	\$1,020.00
Coffee (Arabica) Oct	\$1,020.00	-0.00	\$1,020.00	\$1,020.00	\$1,020.00
Burley Futures Nov	\$104.50	-2.50	\$104.00	\$102.00	\$102.00
Wheat Futures Nov	\$105.80	+2.80	\$107.00	\$117.50	\$97.50
Cotton Outlook A Index	\$1,805.00	-0.60	\$1,850.00	\$1,750.00	\$1,750.00
Wool (64s Super)	425p	+4	345p	425p	342p
Oil (Brent Blend)	\$1,78.10	-0.03	\$16.05	\$18.05	\$17.16

Per tonne unless otherwise stated. \$ per Pence/oz. £ per tonne. £ per £ per tonne.

1 Gross including withholding tax at 12.5 per cent payable by non-resident.

Source: MMS International

Yields Local market standard.

Prices: US, UK & Stock, others in dollars

Source: MMS International

London closing, New York mid-day

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MARKETS REPORT

Dollar rallies

The dollar continued its rally on foreign exchanges yesterday, assisted by an onslaught of verbal intervention from US administration officials, writes *Philip Gauthier*.

Mr Alan Greenspan, the Fed chairman, again reiterated the virtues of a stronger dollar, following similar comments earlier from Mr Lloyd Benson, the US treasury secretary.

The markets took cheer from this shift in sentiment, and the dollar closed in London at DM1.5955 against the D-Mark, well above its Thursday close of DM1.576, but not the high for the day of DM1.6026.

Against the yen it finished at Y98.72, down from the high for the day of Y99.14.

Dealers said some of the dollar's retreat could be attributed to market disappointment that Mr Greenspan had just repeated what he had said earlier in the week.

The stronger dollar pushed the D-Mark lower in Europe

against most currencies. Against the lira it finished at L992.6 from L997.5 on Thursday.

Sterling also suffered at the hands of a stronger dollar, finishing at \$1.528 from \$1.5376. The pound received some assistance from the UK 2nd quarter GDP estimate of 0.9 per cent growth. This was higher than the market forecast of 0.8 per cent.

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that a strong currency was in the national interest.

Mr Steve Hannah, head of research at IJB International in London, said a "180 degree policy reversal" from the administration had now been witnessed. Until very recently, senior administration officials were explicit in their opposition to higher rates.

Now Mr Benson and his deputy Mr Larry Summers are fulsome about the need for a stronger dollar. But as Mr. Hannah points out, this must mean that are prepared to accept to

the Fed tightening policy further.

Earlier this week Mr. Green- span indicated that a stronger dollar may be necessary to reverse inflation expectations, and that he would be prepared to raise rates further to achieve this.

Mr. Hannah commented: "They have given the green light to Mr. Greenspan - if you want to raise rates we will not stand in your way."

Another reason, more bullish about the dollar's prospects, against the D-Mark, than

against the yen, Japan's large current account surplus and US/Japan trade frictions are underpinning the yen.

■ German call money rose to 4.85 per cent from 4.75/4.85 per cent after the Bundesbank's decision to set the next four repo tenders at 4.85 per cent, compared to the current repo rate of 4.85 per cent.

The Bank of England provided UK money markets with \$1.25 billion assistance after forecasting a shortage of \$1.25 billion. Overnight money traded

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POUND SPOT FORWARD AGAINST THE POUND

Jul 22	Closing mid-point	Change on day	Bid/offer spread	Day's mid-low	One month	Three months	One year	JP Morgan	Bank of England	Index
					Rate %PA	Rate %PA	Rate %PA	Rate %PA	Eng. Index	
Europe										
Austria	17.1705	+0.1171	729 861	17.0009 16.8890	17.1705	17.1705	17.1705	17.1705	17.1705	17.1705
Belgium	50.1771	-0.0226	361 187	50.4495 50.3103	50.1771	50.2179	50.2179	50.2179	50.2179	50.2179
Denmark	5.9534	+0.0485	603 685	5.9509 5.9509	5.9534	5.9534	5.9534	5.9534	5.9534	5.9534
Finland	5.0568	+0.0274	495 501	5.1195 5.0210	5.0568	5.0568	5.0568	5.0568	5.0568	5.0568
France	5.3403	-0.0282	882 424	5.3265 5.3265	5.3403	5.3403	5.3403	5.3403	5.3403	5.3403
Germany	5.2028	-0.0282	882 424	5.2028 5.2028	5.2028	5.2028	5.2028	5.2028	5.2028	5.2028
Greece	50.2395	+0.2395	551 551	50.2395 50.2395	50.2395	50.2395	50.2395	50.2395	50.2395	50.2395
Ireland	1.0143	+0.0008	155 151	1.0295 1.0105	1.0143	1.0152	1.0152	1.0152	1.0152	1.0152
Italy	1.2420	-0.23 50	144 401	1.2405 1.2405	1.2420	1.2420	1.2420	1.2420	1.2420	1.2420
Luxembourg	50.1777	+0.3071	361 187	50.4495 50.3103	50.1777	50.2179	50.2179	50.2179	50.2179	50.2179
Norway	16.0254	-0.0226	226 226	16.0254 16.0254	16.0254	16.0254	16.0254	16.0254	16.0254	16.0254
Portugal	24.9735	+1.051	778 186	24.8261 24.8261	24.9735	24.9735	24.9735	24.9735	24.9735	24.9735
Spain	201.083	+1.168	822 142	202.087 199.885	201.083	202.338	202.338	202.338	202.338	202.338
Sweden	11.9800	+0.0104	677 677	12.0788 11.9710	12.0788	12.0252	12.0252	12.0252	12.0252	12.0252
Switzerland	5.0258	+0.0194	647 650	5.0272 5.0265	5.0258	5.0258	5.0258	5.0258	5.0258	5.0258
UK	1.2745	-0.0003	703 703	1.2692 1.2674	1.2745	1.2745	1.2745	1.2745	1.2745	1.2745
ECU	-	-	-	-	-	-	-	-	-	-
SDR	-	-	-	-	-	-	-	-	-	-
America										
Argentina	1.5258	-0.0254	254 251	1.5407 1.5199	1.5258	1.5258	1.5258	1.5258	1.5258	1.5258
Brazil	1.4517	-0.0005	238 555	1.4540 1.4520	1.4517	1.4517	1.4517	1.4517	1.4517	1.4517
Canada	1.5214	-0.0047	485 501	1.5232 1.5232	1.5214	1.5214	1.5214	1.5214	1.5214	1.5214
Mexico (New Peso)	5.2014	-0.0212	547 547	5.2025 5.1870	5.2014	5.2014	5.2014	5.2014	5.2014	5.2014
Mexico (Old Peso)	5.2020	-0.0035	277 272	5.1930 5.1930	5.2020	5.2020	5.2020	5.2020	5.2020	5.2020
Pacific/Middle East/ Africa										
Australia	1.2013	-0.0286	603 622	2.0011 2.0040	2.0013	2.0083	2.0083	2.0083	2.0083	2.0083
Hong Kong	11.8048	-0.0726	201 201	11.9714 11.7560	11.8048	11.8048	11.8048	11.8048	11.8048	11.8048
India	47.2013	-0.0239	934 934	49.4460 47.7480	47.2013	47.2013	47.2013	47.2013	47.2013	47.2013
Japan	11.8048	-0.0726	201 201	11.9714 11.7560	11.8048	11.8048	11.8048	11.8048	11.8048	11.8048
Malaysia	5.9285	-0.0226	570 569	5.9381 5.9381	5.9285	5.9285	5.9285	5.9285	5.9285	5.9285
New Zealand	0.2541	-0.0262	226 226	0.2541 0.2541	0.2541	0.2541	0.2541	0.2541	0.2541	0.2541
Philippines	40.2516	-0.2617	731 501	40.6201 39.9725	40.2516	40.2516	40.2516	40.2516	40.2516	40.2516
Saudi Arabia	5.7502	-0.0362	268 315	5.7568 5.7503	5.7502	5.7502	5.7502	5.7502	5.7502	5.7502
Singapore	5.2098	-0.0222	107 105	5.2343 5.2020	5.2098	5.2098	5.2098	5.2098	5.2098	5.2098
S Africa (Cents)	5.9580	-0.0254	610 614	5.9620 5.9574	5.9580	5.9580	5.9580	5.9580	5.9580	5.9580
S Africa (Rands)	5.9580	-0.0254	610 614	5.9620 5.9574	5.9580	5.9580	5.9580	5.9580	5.9580	5.9580
South Korea	122.11	-11.02	822 899	124.120 122.01	122.11	122.11	122.11	122.11	122.11	122.11
Taiwan	10.7494	-0.2192	303 303	10.8145 10.5955	10.7494	10.7494	10.7494	10.7494	10.7494	10.7494
Thailand	50.3214	-0.1826	323 323	50.3214 50.3214	50.3214	50.3214	50.3214	50.3214	50.3214	50.3214
YEMN	1.2745	-0.0012	182 182	1.2745 1.2745	1.2745	1.2745	1.2745	1.2745	1.2745	1.2745
YUGOSLAVIA	1.2745	-0.0012	182 182	1.2745 1.2745	1.2745	1.2745	1.2745	1.2745	1.2745	1.2745
YUGOSLAVIA	1.2745	-0.0012	182 182	1.2745 1.2745	1.2745	1.2745	1.2745			

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talieman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

Those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 52(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains done at special prices. ♦ Bargains done the previous day.

British Funds, etc

Treasury 13 1/2% Sec 2000/02 - C12511221
(15/94)

£100 10% Sec 2005 - E143 1152
(15/94)

Corporation and County Stocks

Birmingham Corp 3% Sec 1947(97 after) - E20
(15/94)

Birmingham Corp 9% (1992 1932(97 after) - E23
(15/94)

Bristol City of 11 1/2% Red Sec 2008 - E114
(15/94)

Bristol Corp Deb 5% - E124
(15/94)

Derby Corp 10% Sec 2005 - E143 1152
(15/94)

Edinburgh Corp 11 1/2% Red Sec 2017 - C1252
(15/94)

Manchester Corp 18 1/2% Sec 1941(91 after) - E21
(15/94)

Nottingham Corp 11 1/2% Red Sec 2008 - E114
(15/94)

Sheffield Corp 11 1/2% Red Sec 2010 - E15 1152
(15/94)

UK Public Boards

Agricultural Mortgage Corp PLC 8 1/2% Deb
Sec 9/95 - 10% Sec 1992 - E124 1152
(15/94)

Associated British Ports Water 3% A
Sec 9/2003 - E281 1548
(15/94)

British Gas 10% Sec 2000/02 - C12511221
(15/94)

British Gas Corp Deb 5% - E124
(15/94)

British Gas Corp 10% Sec 2005 - E143 1152
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LONDON STOCK EXCHANGE

MARKET REPORT

Dollar firmness pushes Footsie above 3,100

By Terry Byland,
UK Stock Market Editor

The UK stock market was never in any doubt when it was going yesterday as continued strength in the US dollar provided the upward impetus for markets across Europe. The 3,100 mark on the FT-SE Index was brushed aside as soon as trading commenced and only a weak opening to the new session on Wall Street caused London to close below the best of the day.

At the close, the FT-SE Index was 19.6 up at 3,114.7. Comments from Mr Alan Greenspan, chairman of the Federal Reserve, reaching London just at the close, butressed optimistic views of the outlook for the US dollar stocks. There was no great response, however, to the estimates for second quarter gross

domestic product figures.

The FT-SE 250 Index gained a further 30 points to closing level of 3,630.9, indicating that overseas demand for UK equities is spreading across the full range of the market. Trading volume was high although slightly below that of the previous session. Business in non-Footsie stocks increased to around 57 per cent of the market total as investors looked for stocks likely to benefit from a continued recovery in the UK economy.

The stock market was helped throughout by firmness in stock index futures, where the September contract on the FT-SE 100 Index was still showing a comfortable premium against the cash market at the close.

Over the week, the Footsie has gained around 1.3 per cent, with

most of the gain coming in the past two trading sessions as the US dollar has risen vigorously in response to favourable comments from Mr Lawrence Summers, US Treasury Under Secretary, and from Mr Alan Greenspan.

Most UK market analysts are now optimistic on the London stock market on the basis of predicted growth in corporate earnings and dividends.

A slight warning on interest rates, incorporated in the minutes of the June meeting between the Governor of the Bank of England and the Chancellor of the Exchequer, has done little to check near-term optimism.

Lead volume of 612.4m shares yesterday compared with 607.6m on Thursday when retail or customer business of £1.25bn confirmed that business in equities remains healthy.

Profitable from the point of view of the London-based securities industry.

The overall advance by dollar-oriented stocks was boosted by recovery in several issues hardly handled in the previous session.

Wellcome rebounded smartly from the weakness which at first greeted

the results on Thursday. With analysts taking a generally positive view on prospects for sale of Wellcome's anti-schistos and herpes treatment, the shares regained all and more of the setback.

Stocks with home improvement interests recovered as fears of US competition faded. Boots, Kingfisher and Ladbrooke among the Footsie stocks all made firm progress.

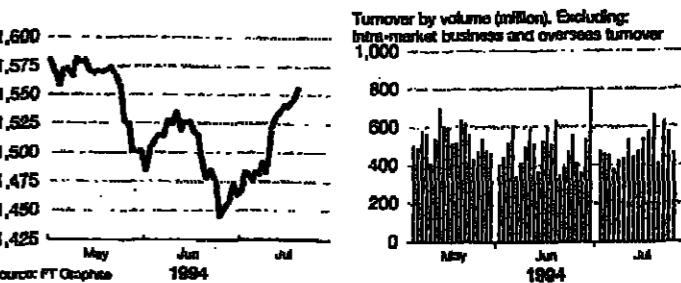
There was also a good showing among building materials groups on

Broker recommendations and also among banks stocks ahead of results season next week. ICI was another to benefit from expectation of healthy results. With the dollar's firmness rebuilding confidence on the near term outlook for interest rates, stores and retail issues were also better form.

Market strategists doubted whether longer term considerations on UK interest rates would hold the sector back if investors perceived that economic recovery in the UK would remain strong.

A powerful boost to the stock market and to the Footsie Index came from strong demand for oil shares, and in particular for Shell Transport which continued to anticipate news on the planned sale of its South African metal busi-

FT-SE-A All-Share Index



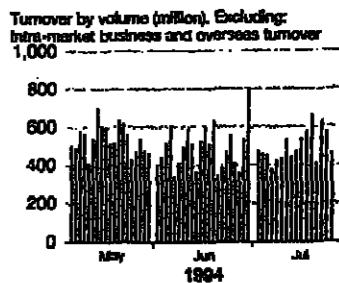
Source: FT Dataflow

1994

May Jun Jul

1994

Equity Shares Traded



Turnover by volume (million). Excluding intra-market business and overseas turnover

1,000

800

600

400

200

0

May Jun Jul

1994 1994 1994

Source: FT Dataflow

1994

May Jun Jul

1994

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May Jun Jul

1994 1994 1994

Source: FT Dataflow

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Source: FT Dataflow

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Unit	Price	Offer	+	Yield	Unit	Price	Offer	+	Yield	Unit	Price	Offer	+	Yield	Unit	Price	Offer	+	Yield	Unit	Price	Offer	+	Yield
Worldinvest (Monteux) Jersey Ltd	100.00	100.00	-	-	Carrières Luxembourg SA (n)	100.00	100.00	-	-	HSBC NAPY Luxembourg SA	100.00	100.00	-	-	Unic Financial Services SA Lux	100.00	100.00	-	-	The Environmental Investment Co Ltd	100.00	100.00	-	-
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	Janine Fleming Unit Trusts Ltd - Contd.	100.00	100.00	-	-				
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	Palace Embassy Funds Ltd	100.00	100.00	-	-				
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
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100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
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100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-	-	300.00	300.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	100.00	100.00	-	-	
100.00	100.00	-																						

WORLD STOCK MARKETS

NORTH AMERICA (Jul 22 / US\$)									
General	14,185.53	1861.43	2540.04	162	1775.50	204			
Australia									
All Ordinaries (1/80)	3052.5	2042.2	2078.6	2348.00	32	1957.40	276		
ASX 100	1015.0	1015.3	1028.6	1123.00	32	904.00	55		
Canada									
Crude Oil (20/94)	112.48	112.48	112.73	116.00	32	108.87	235		
TSX Total Index (7/91)	1077.15	1071.55	1076.50	1222.25	12	1011.30	65		
Japan									
SEI 250 (7/91/81)	1431.06	1428.51	1542.65	162	1233.00	137			
Brazil									
Conselho (2/91/83)	14	4018.0	4038.0	4078.00	197	3600.00	31		
Canada									
Markets (1/93)	64	3840.48	3823.8	3873.9	193	3550.00	204		
Composite (1/93)	64	4172.60	4161.90	4205.00	233	3650.00	246		
Markets (4/93)	64	4182.27	4193.17	2182.88	172	3650.00	307		
China									
PTA (7/91/80)	14	4301.2	4302.2	4302.80	42	3601.20	44		
Denmark									
OMX Composite (5/91/83)	377.79	374.00	373.50	415.78	32	358.00	236		
Finland									
NEX (General) (3/90/90)	1834.0	1816.6	1817.6	1822.00	42	1601.10	31		
France									
SSE 250 (1/91/90)	1358.34	1362.65	1359.56	1590.90	22	1268.50	47		
CAC 40 (3/91/87)	2041.41	2033.78	2043.1	2258.00	22	1858.18	47		
Germany									
FAZ All-Share (1/93)	808.23	800.55	804.42	859.27	185	757.51	276		
Commerzbank (1/93)	238.0	227.8	228.1	245.50	25	214.90	235		
DAX (7/91/87)	2150.25	2113.30	2136.80	227.11	165	1958.00	306		
Sweden									
Axer (3/91/80)	921.71	826.54	830.91	1164.00	187	605.67	253		
Hong Kong									
Hang Seng (7/94)	9152.99	9171.88	8186.82	1220.00	41	8384.44	45		
India									
SSE Small (3/93)	4103.3	4104.4	4110.8	4322.50	208	3454.00	50		
Indonesia									
Jakarta Comp (10/93/92)	49.07	46.14	46.24	82.88	51	48.07	127		
Malta									
SEI (General) (1/93)	1825.85	1821.22	1821.22	2082.16	201	1894.14	17		
Italy									
Banca Com. Ital (1/92)	738.45	720.11	716.50	871.77	105	598.05	101		
IBS General (4/94/94)	1167.0	1162.0	1157.0	1338.00	105	944.00	101		
Japan									
NIKKEI 225 (10/93/94)	2042.29	2002.02	2070.70	2120.00	126	1720.00	41		
TOPIX (3/91/92)	258.23	250.55	250.55	262.12	32	208.22	41		
TOPIX (4/93/94)	1837.88	1651.98	1665.48	1712.25	136	1445.97	41		
2nd Section (4/93/94)	2495.10	2308.97	231.35	2542.66	67	1872.33	41		
Malaysia									
KSE Comp (4/94/94)	1000.48	988.0	1002.7	1344.6	51	826.33	44		

EUROPE (Jul 22 / Fr.)									
General	14,185.53	1861.43	2540.04	162	1775.50	204			
Germany									
DAX (General) (1/93)	1015.0	1015.3	1028.6	1123.00	32	904.00	55		
ASX 100									
Crude Oil (20/94)	112.48	112.48	112.73	116.00	32	108.87	235		
Total Index (7/91)	1077.15	1071.55	1076.50	1222.25	12	1011.30	65		
Japan									
SEI 250 (7/91/81)	1431.06	1428.51	1542.65	162	1233.00	137			
UK									
FTSE 100 (1/93)	14	2202.81	2210.91	2281.17	82	1957.33	204		
New Zealand									
ASX All-Share (1/93)	227.4	227.1	230.0	244.80	31/	498.20	216		
ASX 100 (1/93/94)	2036.27	2036.27	2054.94	2104.90	32	1845.51	117		
Norway									
Oslo (General) (1/93)	1119.74	1114.92	1108.51	1211.10	292	988.81	216		
Philippines									
Philippines (1/93)	2703.15	2648.54	2693.45	3008.57	41	2507.33	93		
Portugal									
PTA (7/91)	2732.29	2736.15	2745.4	3228.00	182	2612.89	206		
Spain									
IBEX 35 (1/93/94)	551.43	551.65	554.00	841.80	41/	522.28	44		
South Africa									
JSE Gold (1/93/94)	2047.09	2048.0	2113.60	2331.00	4/1	1748.00	142		
South Korea									
Kospi Composite (4/93/94)	933.00	935.35	935.67	942.38	22	865.37	24		
Spain									
Market SE (3/91/93)	307.05	304.34	304.40	380.31	31/	2143.87	67		
Sweden									
Stockholm (General) (2/93)	1485.7	1445.20	1445.30	1803.90	31/	1334.70	67		
Switzerland									
Swissk (1/93/94)	1211.61	1196.41	1196.55	1423.34	31/	1157.57	187		
Thailand									
Bangkok SET (1/93/94)	1348.08	1342.01	1363.59	1753.73	4/1	1195.89	44		
Turkey									
Istanbul Composite (1989)	21451.9	21232.45	21717.28	2880.00	131	1280.70	243		
WORLD									
MS Capital Int (1/93/94)	41	626.47	626.80	641.00	1/2	391.63	44		
CROSS-BORDERS									
Eurotrack 100 (2/93/94)	1367.40	1371.54	1367.59	1540.39	31/	1303.49	216		
Euro Top-100 (2/93/94)	1211.61	1201.05	1202.00	1392.00	31/	1143.06	216		
Euro Top-100 (3/93/94)	1302.50	1311.21	1311.21	1381.21	51	292.02	213		
Europix (3/12/93)	94	311.51	313.08	365.19	51	157.55</			

WORLD STOCK MARKETS

AMERICA

Corporate results fail to spur Dow

Wall Street

US share prices meandered in lacklustre trading yesterday morning as the heavy flow of corporate results flooding into Wall Street this week eased, writes Frank McGurk in New York.

By 1pm, the Dow Jones Industrial Average was 1.62 lower at 3,730.83, while the more broadly based Standard & Poor's 500 was a scant 0.14 ahead at 482.75. Volume on the Big Board was modest, with 157m shares exchanged by early afternoon. In the secondary markets, the American SE composite dipped 0.51 to 432.73, while the Nasdaq composite added 0.65 to 1,755.68.

The Dow industrials opened higher, but most stocks quickly retreated to near their opening values and stagnated.

The narrow range in which

share prices moved reflected an overriding sense of caution which has gripped the market since Mr Alan Greenspan, the Federal Reserve chairman, appeared before the senate banking committee on Wednesday. His testimony caught the financial markets by surprise by suggesting an imminent move to lift interest rates was likely.

In the second leg of Mr Greenspan's Humphrey-Hawkins economic briefing yesterday morning, the red chief delivered much the same message to the House banking committee as he had given earlier in the week. With Mr Greenspan saying nothing to calm investors' reckoned fear of a rate increase, the market remained in a turor.

The downward tilt paralleled the morning's action in bonds, where prices softened in trading held to a minimum by the

approach to a summer's weak end.

Among the Dow Jones industrials, McDonald's dropped 1.1% to \$28 in heavy volume of 3.2m shares. The downturn was a delayed response to the fast-food chain's earnings announcement, which had elicited a muted response the previous session. After digesting the figures, at least two Wall Street securities houses - Merrill Lynch and Montgomery - downgraded the issue.

On the Nasdaq, Microsoft climbed 3.5% to \$304, buoyed in part by encouraging remarks about the company's growth prospects at an analysts' meeting in Chicago.

Canada

Toronto eased in quiet midday trading with little news expected to jolt the market out of its summer doldrums and Mr Alan Greenspan's comments on his last day of congressional testimony having little impact.

The TSE 300 was 2.70 lower

share, against a consensus forecast of 35 cents.

Though IBM, off 5% at \$61.50, was hurt by profit-taking, many technology stocks showed improvement. Storage Technology was marked up 5% to \$37.74 after publishing better-than-expected results. However, Compaq Computer shed 5% to \$30.70.

On the Nasdaq, Microsoft climbed 3.5% to \$304, buoyed in part by encouraging remarks about the company's growth prospects at an analysts' meeting in Chicago.

At 4,169.90 in moderate volume of 14,856 shares, Declines outpaced advances 81 to 73, with 104 stocks steady.

Brazil

Sao Paulo edged lower in light trade, dragged down by heavy selling of Eletrobras after reports that the state power utility was considering a huge share offering.

The Bovespa index was 97 lower at 40,888 at 13.00 local time in weak volume of R\$121m (\$12m).

A news agency reported that the Eletrobras' board of directors was planning a \$300m subscription, equivalent to 15 per cent of the company capital, to be presented at a shareholders meeting next Friday. Eletrobras preferred dropped 4.3 per cent to R\$217.11 while the common stock fell 4.4 per cent to R\$217.

Scenarios for the final leg of the bull market

Adrian Fitzgerald on strategic investment options

UK

K-based pension fund managers had good reason to crow at the end of last year. Their international asset allocation resulted in a performance which was well ahead of the benchmark.

WM Company figures show that the average return earned in overseas equities was 39.4 per cent, compared with the return of 25.3 per cent from the FT-A World ex-UK. Underexposure to the US and overweight positions in continental Europe were mainly responsible. More than double weightings in the smaller Pacific Basin markets provided the icing on the cake.

Claims at the mid-year stage this year will be more muted. It is likely that overseas equity portfolios are already trailing the FT-A benchmark by 5 or 6 percentage points. The big swing factor has been Japan.

The sterling return for the world ex-UK over the first six months of the year was 1.7 per cent. However, this conceals the fact that nearly all equity markets performed badly. Take Japan out of the index and the return falls to -7.8 per cent.

The problem for most UK-based pension fund managers is that they were very underexposed to Japan at the start of the year. Worse still, their relatively heavy weightings in the rest of the Pacific Basin will have back-fired on them. Hong Kong and Malaysia, for example, returned -2.2 per cent and -2.1 per cent respectively.

It is a time for a serious strategic re-think. Most equity markets have been driven down this year as a result of the collapse in bond markets triggered by the turn in US interest rates and mounting inflation concerns. It is understandable that the US bond market should be the first to suffer significantly given that the economy is more advanced than most in terms of the current cycle.

It is also inevitable that a collapse in confidence in that market should have a knock-on effect around the world. But quite why the knock-on effect in the UK has been so severe is puzzling many economists and strategists. Long gilt yields have risen by more than 2 per

centage points at a time when, if anything, consensus inflation forecasts are still edging down. And what UK managers have to consider is whether this presents them with a good opportunity partially to rebuild some domestic bond exposure or whether the financial markets are signalling that bad news is just around the corner.

Certainly, the significance of this year's collapse in UK bonds should not be under-estimated. The real, total return

FT-A WORLD INDEX TOTAL RETURNS				
	Dollar Investor	Sterling Investor		
1993	1994	1993	1994	
Year	H1	Year	H1	
UK	23.8	-8.8	26.7	-12.4
US	9.6	-3.2	12.6	-7.2
Japan	25.0	30.6	27.9	25.3
Europe ex UK	32.5	0.7	35.5	-3.5
Pacific ex Japan	89.9	-15.7	94.4	-19.2
World ex Japan	21.7	-4.4	24.6	-4.4
World	22.6	4.6	25.4	0.3

fund managers are highly unlikely to make up lost ground against the international benchmark in the second half of the year.

Despite the good run in the first half, it is too early to be taking profits in Japan.

Equally, we would argue that the pension funds' overweight exposure to continental Europe could prove to be a drag on performance in the medium term. Ratings in many markets are already discounting a sharp rebound in earnings and there is a risk that investors will grow increasingly impatient.

Of course, we could have it completely wrong. Perhaps bond markets are correctly anticipating an inflation resurgence. And perhaps there is a danger that corrective procedures will choke off the recovery. In which case, all equity markets would still be vulnerable.

That potential certainly exists in the UK. News on both the inflation and growth front continues to better expectations. Solid growth in corporate earnings and dividends will be achieved this year and next. Moreover, institutional liquidity is very healthy. A recovery in the bond market is

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EUROPE

Paris suffers a setback late in the session

With the exception of Paris the markets were generally stronger yesterday.

PARIS closed at the session low, with the fall occurring late in the day, which also saw the end of the account. The CAC-40 index dipped 12.37 to 2,041.41, up 3.4 per cent on the week, having earlier reached a high of 2,074.

UBS Global Research commented yesterday that, after the good gains of the last two weeks, investors would have to decide, with the start of the new account, whether to buy the market for fundamentals after such a rapid correction, or to wait. They expected a period of relative stability, with the index hovering around the 2,000 to 2,050 level.

Sanofi, down FF17.75, attracted the attention of two brokers: Hoare Govett and Nikko Europe, both reaffirming their buy ratings on the stock, and the latter expecting earnings growth of 17 per cent in 1994 and 21 per cent in 1995.

FRANKFURT enjoyed a comfortable end to the week, helped by some positive news from the corporate sector.

The Dax index ended the official session 36.83 points ahead



Source: Datatracker

at 2,150.13, for a week's gain of 2.7 per cent. In Ibis trade the market slipped back slightly, closing at 2,148.23. Turnover was DM7.5m.

The chemicals again did well, with Bayer, for instance, up DM6.70 to DM362.70, up 6.7 per cent over the week, and in Ibis trade added a further DM11.10. The company reported that it was on target for a rise in profits of between 15 to 20 per cent for the year.

Nestle, whose better than expected figures on Tuesday sparked the market's improved sentiment, picked up SFr9 to SFr1.19 while Sulzer put on

week's of 3.3 per cent. The stock was helped by positive comments from Mercedes.

Lufthansa added DM5.60 to DM201.50, off a session high of DM204.50, as confidence in the airline was encouraged by a number of buy notes. Hoare Govett, in one, argued that the group should see a return to profit in 1994, thereby vindicating two years of aggressive cost-cutting.

ZURICH extended its rally to a fourth day, mirroring the stronger dollar and still paying close attention to corporate reporters. The SMI index rose 18.4 to 2,597.8 for a 3.3 per cent advance over the week.

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ASIA PACIFIC

Blue chip weakness affects Nikkei

Tokyo

Selling of blue chip shares by corporate and overseas investors pushed prices lower, and the Nikkei index lost ground despite of buying by individual investors, writes Emiko Tsuru in Tokyo.

The Nikkei 225 index fell 160.03 to 20,462.88 after a gain of 20,673.53 in early trade, and a low of 20,427.29 in the afternoon. The index fell 1.5 per cent on the week.

The slight rebound of the dollar against the yen helped share prices in the morning, but afternoon profit-taking and arbitrage selling depressed the index.

Volume totalled 2.8m shares against 2.5m. The Topix index of all first section stocks fell 14.12 to 1,637.56, while the Nikkei 300 lost 3.04, or 1 per cent to 296.53. Losers led gainers by 741 to 250, with 184 issues remaining unchanged.

In London, the Nikkei 50 index fell 24.41 to 1,235.87.

High-technology issues which had gained on the multimedia and telecommunications sectors fell. NEC fell 10

to Y1,200 and Fujitsu declined Y1,050 while heavy electronics such as Hitachi lost Y10,000.

Profit-taking hit large capital steels and shipbuilders. Nippon Steel fell Y1 to Y339 and Mitsubishi Heavy Industries declined Y9 to Y84.

Speculative issues were picked up by individual investors. Tomoe-gawa Paper, which rose by its daily limit, climbed Y68 to Y635 and Kiyo Bank rose Y7 to Y94 on rumours that a speculator was buying up the bank's shares.

In Osaka, the OSE average fell 165.20 to 22,919.88 in volume of 33.2m shares.

Roundup

Taipei lost most of its gains, Manila was strong and other markets drifted.

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FINANCIAL TIMES

Weekend July 23/July 24 1994

MoDo
PULP, PAPER &
PAPERBOARD

Plutonium find adds to nuclear smuggling fears

By Jimmy Burns in London,
Michael Lindemann in Bonn and
Leila Bouton in Moscow

The discovery in Germany of weapons grade plutonium, believed to have been smuggled in from Russia, has increased fears of a potentially dangerous proliferation of nuclear material emanating from the former Soviet republics.

In Bonn, Mr Bernd Schmidauer, Chancellor Helmut Kohl's aide with responsibility for the intelligence services, described the discovery, the first time such material has been found in the west, as "dramatic".

In the US, one of the country's leading nuclear proliferation experts, Dr William Potter, a director of the Monterey Institute in California, warned that the find could be just the "tip of the iceberg" involving a growing business in illegally traded Soviet nuclear material.

One leading US scientist who has investigated the material said last night: "This discovery is

extraordinarily significant. It represents a change from the hypothetical to the actual."

A senior European Union official yesterday confirmed that scientists had only recently established beyond doubt that six grammes of the nuclear material seized by German police at the beginning of May - a tenth of the total - was highly enriched plutonium-239.

The material was seized in a raid on a garage in Tengen in southern Germany, near the Swiss border.

Analysis of the material was finalised by scientists working for the European Commission at the end of June, leading to a flurry of behind-the-scenes diplomatic activity, straddling the US, western Europe and Russia.

The case was discussed at a special meeting of US, Russian and European law enforcement officials in Germany earlier this week. Last night, the Foreign Office said it was "following up" the case with the German authorities through the British embassy.

In Bonn, a spokesman for the Russian external intelligence service denied the material originated from Russia.

However, Mr Wilhelm Gmelin, director of the EU Commission's European Safeguards non-proliferation agency, said: "The data we have, suggests it is highly probable the material was manufactured at a Russian military site."

He added: "Every bit of material has its own characteristics and in this case the characteristics show that it was produced at three possible sites in Russia."

US scientists, who together with police and western intelligence agencies have been monitoring the case, believe the material may have been smuggled out of the Kurchatov Atomic Energy Research Institute in Moscow or from a research site known as Sverdlovsk in the Urals.

The German investigation is understood to have discovered unconfirmed intelligence that the seized material may have been on its way through a circuitous route to Iraq.

US launches massive Rwanda aid operation

Continued from Page 1

Polluted drinking water there is believed to be responsible for the outbreak of cholera which, Mr Clinton said, was now claiming "one life every minute". The Pentagon would also provide 20m dehydration therapy packages for the refugees.

The US State Department was urging the United Nations to deploy a full peace keeping mission to Rwanda immediately, Mr Clinton said, adding that the US would make the formation of an "ethnically and politically balanced" government in Rwanda a condition of US diplomatic recognition.

The US president said the operation would cost "in excess of \$100m" (£64.5m) and involve the deployment of a "moderate" number of US armed forces. A White House official said about 1,000 US troops drawn from Nato would take part in the relief operation.

• Launching a \$434m appeal for humanitarian aid for Rwanda yesterday, Mr Boutros Boutros Ghali, UN secretary-general, said in New York that nearly half the 7m population had fled their homes. He said the Security Council would be called into session within the next few days to establish a tribunal to try to punish those responsible for massacres in Rwanda.

• France yesterday ruled out keeping its troops in Rwanda beyond its self-imposed deadline of August 21, despite pressure from the US and the United Nations for Paris to extend its humanitarian mission there.

Drug group 'quitting Italy for Germany'

By Paul Abrahams

Menarini, Italy's largest domestic drugs group, said yesterday it intended to transfer all manufacturing from Italy to Germany, as a protest against proposed government-imposed price cuts.

The company flamboyantly revealed its threat by taking full-page advertisements in the Italian national press.

The disclosure was timed to coincide with a meeting of the Italian cabinet in Rome to discuss additional healthcare reforms. These could include drug price cuts of at least 6.5 per cent, although the health ministry is calling for a 10 per cent reduction.

"With this [proposed] price structure, the lowest in Europe, we have no chance of remaining competitive in Italy and so we are going," said Mr Alberto Aleotti, managing director. "I think other Italian companies will be forced to close or move."

Menarini said it was in negotiations with Italian unions about possible redundancies. The company employs nearly 3,000 people in Italy. Trade unions were angered by the newspaper announcement, and promised a

national strike in protest. They recognised Italian domestic pharmaceutical companies were being squeezed, but felt the company was not giving the full reasons for seeking to switch production. A consumers group threatened legal action against Menarini demanding it return government subsidies.

The group already has production facilities in Germany as part of efforts to reduce dependency on the Italian market. In 1992, it acquired Berlin Chemie, east Germany's biggest drugs maker.

Mr Aleotti blamed the decision on a series of healthcare reforms introduced in January by the Italian government which is grappling with a huge public sector deficit. The government plans to cut drugs spending from L13,000bn (£5.4bn) in 1993 to L10,000bn a year.

The reforms were also introduced after the sector was shaken by a scandal involving payments to government officials in exchange for certain drugs to be reimbursed by the state. Charges of bribery were brought against Mr Alberto Aleotti. Menarini's chief executive and chairman, Mr. Aleotti denied the accusations.

Mercury loses battle over BT's charges

Continued from Page 1

judicial interference. The decision to seek legal redress reflected Mercury's frustration at its inability to persuade Ofcom to change the regulatory system in its favour. In recent months it has launched a strenuous campaign in the courts, the media

and with MPs to bring pressure to bear on Mr Cruickshank.

However, it has yet to achieve any success. Mr Cruickshank described recent Mercury claims as "shriek and unnecessary".

Ofcom is reviewing aspects of the current interconnection regime, and will publish a consultation paper in the autumn. In

addition to capacity-based charging, Mercury is seeking to secure abolition of the special payments it has to pay BT as compensation for the losses BT makes on its local network.

Mercury describes the payments as a "tax on competition", a charge strongly denied by both Ofcom and BT.

C&G leads on profit per customer, Page 4

Halifax and Allied Dunbar to join new regulator

By Alison Smith

Halifax Building Society and Allied Dunbar - the last significant organisations whose support for the Personal Investment Authority was in doubt - yesterday announced that they would sign up for the new regulator.

The news is a boost for the PIA, which has been the subject of intense controversy in the financial services industry. It began operations this week, replacing the existing regulators in a move intended to improve investor protection.

Despite the list of financial services companies which have expressed opposition to aspects of the regulatory change over the past few months, the move leaves Prudential Corporation, the UK's largest life insurer, as the only large organisation to have insisted on its right to be regulated directly by the Securities and Investments Board, the chief City watchdog.

Statements from Halifax and Allied Dunbar show they still have serious doubts about the PIA's likely effectiveness, despite their applications to join.

Mr Mike Blackburn, Halifax chief executive, said the debate about whether the current system could deliver high standards of investor protection would continue. "For so long as it remains", however, the society believed that the PIA would stand a better chance of reaching the necessary standards with the support of Halifax.

Mr George Greener, chief executive of BAT's UK financial services operations, which include Allied Dunbar and the other subsidiary Eagle Star, said the companies were joining because there was more chance of influencing it from within. While he still had grave concerns about the structure and resources of the PIA, "we are where we are," he said.

While the PIA was careful yesterday to say only that it was treating the applications like any others, it will have been relieved to receive them.

Had Halifax or Allied Dunbar followed Prudential's announcement of its refusal to join the PIA in March, then the balance of the debate within the industry could have turned against the new regulator.

Yesterday's clutch of data had the market purring again about the golden scenario for the UK economy. Despite the widespread fears in anticipation of the event, April's tax rises appear to have done little to check the economy's progress. With year-on-year growth running at 3.3 per cent, total output is now 1.2 per cent above its peak of four years ago. It still appears that the output gap is narrowing only gradually. If so, that suggests the UK is capable of a sustained spell of above-trend growth without igniting inflation.

Such pleasant thoughts wafted the FTSE 100 index 1.2 per cent higher this week. Ever-improving prospects for earnings and dividends on the back of the rebounding economy are continuing to drive equities. With a running yield of 4.3 per cent remaining less than 1 percentage point below base rates, the market still appears relatively cheap. But, as ever, it will be gilts that determine equities' ultimate fate. That is where the doubts arise. The latest published musings of Eddie George and Kenneth Clarke suggest they are ready to pre-empt the first whiff of inflation by raising short term rates. Whether that calms or alarms the long end of the gilts market will be the critical test of the stock market's nerve.

It would indeed be good news for equities if short term rates were to rise and long rates stabilise later this year. A flatter yield curve would squeeze consumer spending while encouraging investment. But the recent experience of the US bond market suggests it would be dangerous to anticipate as much.

Those high real interest rates may also point to a developing struggle for capital between private and public sectors. With unemployment remaining stubbornly high, the government's budget deficit can not be quickly cut. Political uncertainty ahead of next year's presidential elections will add an extra element of uncertainty. The French air traffic controllers' strike - disrupting the holiday migration - may presage unrest to come.

Stores

UK retailers like to believe they are the best in the world. The market clearly does not think the same. The mere threat of the US DIY chain, Home Depot, opening stores in the UK has caused something of a panic this week. It is easy to understand why. In its short history, Home Depot has been a highly aggressive operator. Its execution of everyday low pricing has been a fierce battle for market share once loan demand does eventually pick up. History shows this tends to happen at a later stage of recovery. Then banks will quickly open stores across the country, but the UK DIY market is precariously balanced.

If it did establish itself, Home Depot would throw grit into the main engine of Kingfisher's growth. B&Q accounts for about a quarter of its profits. Last year it established itself, Home Depot would throw grit into the main engine of Kingfisher's growth. B&Q accounts for about a quarter of its profits. Last year it

broke's Texas chain could also be badly squeezed. But Boots and WH Smith, which together run the lacklustre Do It All chain, would appear to have the biggest problem. There is a need for further rationalisation in the mature industry even without Home Depot. There must be a suspicion that J. Sainsbury, which runs the small but perfectly-formed Homebase chain, may eventually be tempted to have a go.

Overseas entrants threaten to step up the competition in many other UK retail sectors, providing another reason to believe that some domestic retailers will struggle to grow. With consumer spending muted and inflation low, that makes it all the harder to understand why so many stores groups trade on the same multiples as they did back in their glory days.

UK banks

Three influences look set to dominate the clearing bank interim results season which kicks off with Lloyds Bank next week. Loan demand has stayed weak and the turmoil in the bond markets has depressed trading income. Those two factors will make for a lacklustre performance at the operating level. But thanks to the accelerating economic recovery, provisions will have fallen rapidly, perhaps on average by around a third from their collective level of £2.4bn in the first half of last year.

That will ensure a bounce in earnings and a substantial improvement in capital ratios. Even National Westminster could see its tier one ratio rising above 8 per cent. The generally accepted assumption is that the banks will use the opportunity to pay generous dividend increases. After all, surplus capital is a burden if there is little balance sheet growth. It might be better to pay some of it back rather than squander resources on a price war that currently promises little by way of volume growth.

The dividend decision is a delicate one, just the same. While fears of margin erosion due to price cutting are probably overdone for the present there will certainly be a fierce battle for market share once loan demand does eventually pick up. History shows this tends to happen at a later stage of recovery. Then banks will find their profits squeezed as they sacrifice return for volume. It will be awkward if they have meanwhile set dividends so high that retained earnings are insufficient to finance balance sheet growth.

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British Isles

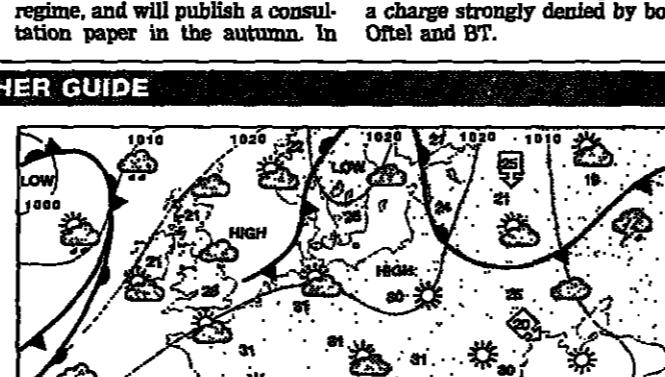
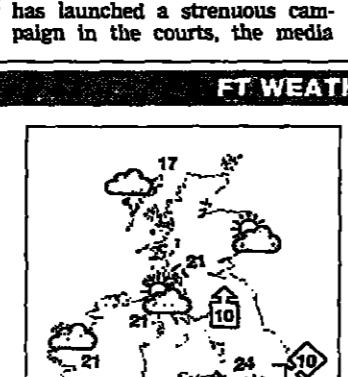
The UK and much of Ireland will continue calm because of high pressure over the North Sea. However, the sunshine will occasionally be interrupted by bands of cloud in southern England and in the Midlands. Sunny periods will be longest and most frequent in western Wales and in south-west Ireland. In northern and western Scotland, there may be fleeting showers. Temperatures will exceed 25C in southwest England, and stay above 20C in Scotland and Ireland.

Continent

It will remain warm throughout much of western Europe. Temperatures should reach 30C in Germany, the Low Countries, and virtually all of France. Searing heat will be confined to Spain, where it will be about 40C in the south. In central Europe, high pressure will bring plenty of sunshine and above normal temperatures. In the Balkans, the heat and humidity will lead to some heavy thundery showers, specifically in Bosnia and northern Greece.

Five-day forecast

There will be little change on Sunday, though rain will move into Ireland and western Scotland. From Monday, a very warm air mass will move north from Spain to France and into Germany, lifting temperatures to around 30C or 35C. The heat will not abate before Wednesday.





Weekend FT

SECTION II

Weekend July 23/July 24 1994

An Old Lady with new battles to face

As the Bank of England celebrates its tercentenary, John Plender considers its past links with the finance of war and speculates on its future

Are central bankers a good thing? A simple enough question, you might think, as the 300th birthday of the Old Lady of Threadneedle Street approaches. Yet, from the beginning, when the Bank of England's charter was sealed on July 27 1694, the debate has never failed to excite powerful passions.

Within a year, a pamphleteer was declaring that the competition provided by this fledgling institution had "almost crush'd several sorts of Blood-suckers, mere Vermin, Usurers and Grippers, Goldsmiths, Tally-jobbers, Exchange Brokers and Knavish Money-scriveners, and Pawn-Brokers, with their Twenty and Thirty per cent".

Then, as the charter renewal of 1709 loomed, another polemicist busily penned a tract entitled *Some Considerations against the Continuance of the Bank of England*. At 300 years' distance we can safely say that he failed to win the argument. And, of course, the concept of central banking, embracing the goal of price stability and the role of lender of last resort to the banking system, was unknown to people of the late 17th century.

In the 20th century the reputation of central bankers has waxed and waned – or, more accurately, waned and waxed. The Bank of England's heyday was in the four decades that preceded the first world war. Sterling was pre-eminent in a monetary system pegged to gold and the City of London financed the lion's share of world trade.

Then came Montagu Norman, whose autocratic reign as governor of the Bank from 1920 to 1944 incorporated the ill-fated return to the gold standard and the Depression.

It was Norman's financial orthodoxy, and his opposition to Keynesian demand management in the 1930s, that gave central banking in Britain a bad name. Elsewhere, central banker conservatism was attracting similar opprobrium. Politicians sought to assert greater control over the dangerous and misguided people who brought us the

Murder! Rape! Ransacking! Rape! was the caption on the celebrated Gillray cartoon of the Old Lady being wood by William Pitt for her money. Where Pitt failed, the Labour chancellor Sir Stafford Cripps succeeded. In 1946 the Old Lady was not only raped, but subjected to the indignity of becoming a nationalised industry.

Political economy has since experienced a mood swing. There is a

new orthodoxy, and it states that while central bankers have been bad, politicians have been worse. Having taken over much of the central bankers' job, they created a devastating inflation that destroyed savings, distorted incentives and imposed a hidden tax on the people. And they have proved incapable of maintaining a stable international exchange rate regime.

In the first 250 years of the Bank of England's existence, inflation was largely associated with the financial stresses of war. Indeed, the Bank of England's initial *raison d'être* was to provide money for William of Orange's battle against the French and to tidy up the mess of unfunded public debt that remained after the three Anglo-Dutch wars.

War could always be financed on the basis that it was unlikely to go on for ever. Investors in government debt assumed that any deficit in the government's accounts would be temporary and would ultimately be made good. The striking feature of the surge in the general price level that came after 1945 is that it was the first great peacetime inflation since the Bank came into existence. The technique of deficit financing was applied to the huge and very un-temporary apparatus of the modern welfare state.

In the absence of a gold standard, or any other anchor for the monetary system, public sector deficits were not made good. They were monetised. In the vernacular, the government paid its bills by borrowing from the banking system, which is the modern equivalent of printing money. War Loan, the undated, archetypal government IOU, lost most of its value. Investors were swindled in a manner not seen since the Elizabethan period, as governments provided monetary accommodation not only for their own deficits, but for wage claims, oil shocks and the rest.

The result has been a relative revitalisation of the central bankers' reputation. At a time when other nationalised industries have been privatised and downsized, more central banks have materialised in the global public sector. Their number has risen from 59 in 1950 to 161 at the start of this decade.

As Forrest Capie, Charles Goodhart and Norbert Schmidt put it in a monograph for the Bank of England to mark its tercentenary, which has been shamelessly plundered for parts of this article, "when a new nation state seeks to establish itself, the foundation of an independent central bank will be an early item on the agenda, slightly below the establishment of a flag, but above the establishment of a national airline".

Meantime, the managers of established central banks have demanded, and in some cases achieved, independence from government – this is the great new economic nostrum of the day, for which officials at the Bank of England all too understandably yearn. And in the extraordinary case of Italy, central banking recently achieved its apotheosis. The head of the Banca d'Italia, Carlo Azeglio Ciampi, was elevated to the job of prime minister because

no politician was deemed sufficiently credible.

The paradox here is that central bankers are flattered by the choice of comparison. They may be less corrupt than politicians. But their record, in those activities where they have retained freedom from

its incomes than in the UK, has rubbed along remarkably well over the past four decades without the services of a formal central bank.

So the question is not merely whether central banks are a good thing, but whether they are so different from other commercial organisations that they are entitled to their exalted and protected status; and, more fundamentally, whether they are necessary at all.

The unique feature of the Bank of England, in 1694, was that it was the only public bank in Europe with the power to issue notes. A unique feature of central banks today is that they usually have a monopoly of the note issue. Yet there are some theorists, most notably the late Friedrich Hayek, who believe that the issuing task should be privatised and that all commercial banks should have the freedom to issue their own notes. The anti-inflationary logic is the opposite of Gresham's law: good bank notes that held their value would, in Hayek's view, drive out the bad notes from banks that over-issued.

Scottish banks continue to issue

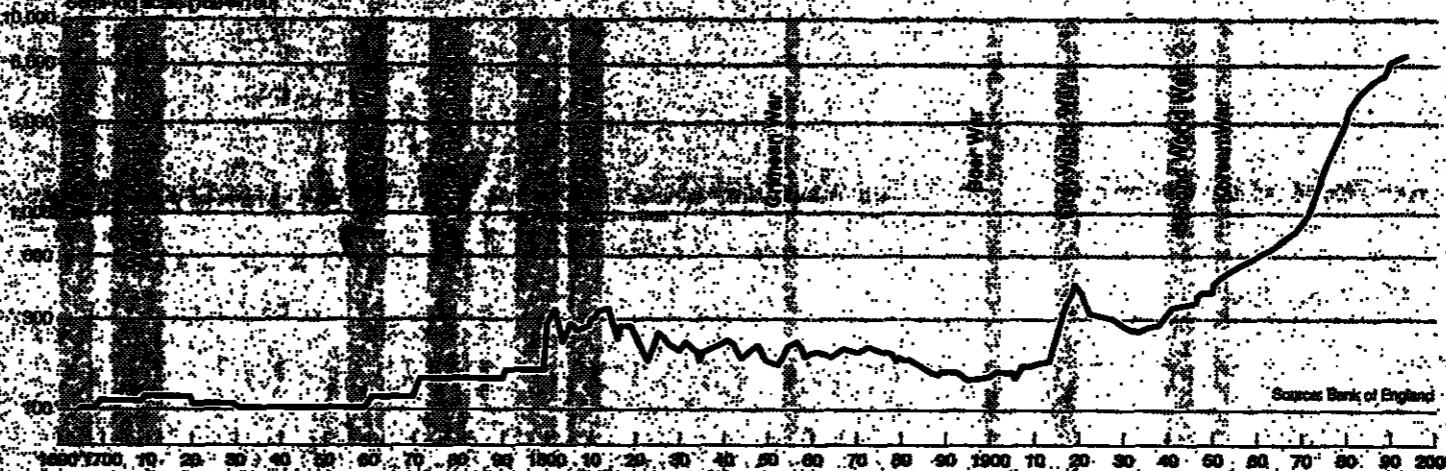
Continued on Page XX



Uccello's *The Rout of San Romano* in the National Gallery, London: The Bank of England's initial *raison d'être* was to provide money for war

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Finance since 1986



design of the flag, but above the establishment of a national airline". Meantime, the managers of established central banks have demanded, and in some cases achieved, independence from government – this is the great new economic nostrum of the day, for

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Long View/Barry Riley

Throgmorton throes

pursue consensus policies.

But a different argument now seems to apply. Cazenove is the only big independent firm which is fundamentally committed to the London market place (apart, perhaps, from the market maker, Smith New Court).

Most of the other main firms are parts of global investment banking operations which can (and do) belong to markets all over the world. Without Cazenove the London Stock Exchange would have an even bigger identity crisis.

In its recent history, dominated by the consequences of the "Big Bang" changes of 1986, the London Stock Exchange has reflected the long-term strengths and weaknesses of the City. Entrepreneurial and outward-looking London-based firms have seized opportunities for the international trading of equities and bonds that bigger and domestically-oriented Continental houses have been slow to recognise.

Meanwhile the planning of the back office technology has often been poor, leading to disaster in early 1993 when Taurus' paperless settlement system was abandoned. Responsibility for its replacement, the simpler Crest, has been snatched away by the Bank of England; if settlement, once a core activity, is to be controlled elsewhere, can any of the exchange's activities, from price dissemination to control of listing, be sacrosanct?

Sir Antony Hornby, a former senior partner, declared after a controversial 1986 dawn raid for a client company that equality among investors was an illusion. If someone decides more quickly, or has a better broker, this is not unfair.

It is hard to imagine that in the past a leading light of such an uncompromisingly prestigious firm could have become chairman of the exchange, when it was seeking to fulfil a broad public interest mandate. The chairman have tended instead to come from medium-sized firms, and from that more modest base have been better able to

through nominee accounts. The latter, in turn, tend to drive a wedge between companies and their small shareholders, unless the nominee arrangements are carefully and expensively designed.

This underlines the possibility that the Stock Exchange will be torn between the global firms (with their international clients) and the small companies and private clients of the domestic market place. There are precedents in the American markets, where the New York Stock Exchange lists the big companies, and is increasingly seeking foreign company listings, while thousands of small US companies are traded on the quite separate Nasdaq system.

Certainly, the London Stock Exchange is a popular market. Hundreds of companies have sought listings in the past year or two, admittedly in a favourable time of the cycle.

To an extent, the market place will decide. Rival dealing systems are beginning to nibble at the central market. The power of the big London market makers, who were vastly profitable in last year's bull market, will be one of the biggest challenges for John Kemp-Welch. Money talks, and they have prospered mightily from the relatively opaque trading system, which makes it fairly easy to trade their way out of large positions. Investors, though, will tend to drift towards more transparent systems where they can find them.

Once, a lot of the problems could be solved within the framework of an effective monopoly over secondary share trading and a fixed commission structure. The holes could be plugged through cross-subsidisation.

Fierce international competition requires awkward decisions to be made, however. The exchange has already shed many of its activities, including private investor support and the professional regulation of market practitioners. The question, perhaps, is whether the viable core would still merit the name London Stock Exchange. But unlike Lloyd's it has at least retained its dignity.

MARKETS

London

A week of bread and circuses

Roderick Oram

The Conservatives delivered bread and circuses this week, their first double act in a long time.

First came the Cabinet shuffle which elevated to party chairman Jeremy Hanley, a man promising livelier leadership. He is well qualified. A son of show-business parents and a one-time child screen star, he is known as a good communicator and raconteur.

His first party political pronouncement came but a day later. The Labour Party had elected Tony Blair leader "for his looks, not his policies."

Catchier quips could come later from the pen of Hanley's new deputy, Michael Dobbs, a political novelist with the double-edged billing as a "second Jeremy Archer".

Then yesterday came the bread. Gross domestic product grew by 0.9 per cent during the second quarter, its fastest rate since the recovery began in the spring of 1992. Output is now 12 per cent above the pre-

cession peak of four years ago. News earlier in the week of favourable consumer spending and government borrowing figures were butter and jam.

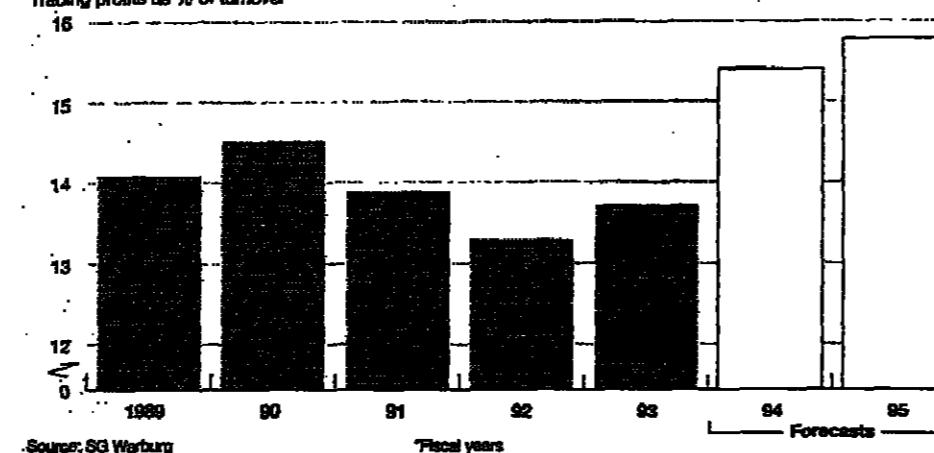
With a strengthening dollar helping to stabilise European bond markets, gilt and equities savoured the good news. The FT-SE 100 index of the 100 largest UK companies rose four out of five days to end the week up a net 3.9 points at 3,114.7. The Footsie yesterday broke through the important resistance level of 3,100 and held the high ground.

Many in the market gleamed a degree of confidence in calmer medium-term trading from the comments of three central bankers. Alan Greenspan, of the US Federal Reserve Bank, and Eddie George, governor of the Bank of England, indicated that US and UK interest rates would have to rise later but not now to check inflation. Hans Tietmeyer, Bundesbank president, left open the possibility of German rate cuts later this year.

George, in the minutes of his

FT-SE 100 margins

Trading profits as % of turnover



Source: SG Warburg

Fiscal years

June 8 meeting with Chancellor Clarke released this week, indicated he was watching three main indicators of when price pressures would demand a rate increase: the rate of monetary growth; inflationary expectations; and cost increases particularly of labour. Monetary growth is "uncomfortably high" with the volume of cash and notes in circulation running 8.1 per cent higher over the last three months than a year earlier. The other two indicators are favourable.

But one other set of figures has been disquieting. Industrial raw material prices are running at an annual rate of about 10 per cent while the companies' output prices are only edging ahead at the general inflation level of just over 2 per cent. Surely margins, profits and dividends must be under pressure? If they are,

how can the market be looking for further growth in earnings to fuel the next rally?

S G Warburg Securities points out that profit margins were under equally dramatic pressure in late 1992 and early 1993. Raw material prices rose as sterling fell following devaluation from the ERM yet earnings per share rose substantially last year.

One explanation is that raw

materials are typically only a third of total costs while labour costs, which have been much more subdued, account for a far higher share.

Over other costs, notably of money, have fallen sharply.

Some sectors, such as paper and packaging, have enjoyed improved margins thanks to better trading conditions as witnessed by the results of David S Smith Holdings this week. Pre-tax profits for the year to April were up 56 per cent to £42.2m.

But the main story behind most margin improvements continues to be cost reductions and corporate restructuring, Warburg argues. It forecasts further widening of margins for the Footsie companies, as the chart shows. From a recent low of 13.3 per cent in the financial year 1991-92, it estimates a margin of 15.38 per cent this financial year and 15.8 per cent next year.

It identifies a mixed bunch of companies offering the best margin growth next year relative to their average 1989-93 margins. They range from newly-privatised utilities such as National Power (up 41 per cent) and Eastern Electric (up 38 per cent) with plenty of scope to cut costs, to corporate restructuring cases such as ICI (up 47 per cent) and British

Gas (up 233 per cent).

The worst performers are equally mixed. Mature utilities facing increasing competition and the tightening of regulatory screws are among the weaker stocks. British Telecommunications' 1993 margin is forecast to fall 13 per cent from its 1989-93 average while British Gas's will drop 11 per cent.

Consumer stocks are some of the most adversely affected given the tough pricing environment in which they operate. Food manufacturers and retailers are particularly vulnerable. Shoprite, a Scottish discount grocer too small to be a Footsie stock on Warburg's list, testified to the trauma on Thursday. Its second profit warning in two months halved its share price to 30p. It had peaked in February at 45p. It has cut its costs and stabilised its margins but it cannot generate adequate turnover.

One Footsie retailer Warburg

does identify is Argyl Group, the Safeway supermarket chain. It forecasts Argyl's margin will be 8 per cent lower next year than the group's five-year average. The trading news from Argyl this week was more positive than that. Sir Alastair Grant, its chairman, told the *age* that first-quarter like-for-like sales and pre-tax profits were ahead of last year's. Similarly, Sir Christopher Benson, at Boots, again, could speak of better sales in all divisions except DIY.

Shareholders at nest-egg firm

are happy. Complaints from them about the impressive board executives had made turned both meetings into a bit of a circus.

Serious Money

Advisers who want their cake up front

Gillian O'Connor, personal finance editor

What is worrying about the life insurance industry is not just its faults but its attitude. The most obvious faults are failure to train or check up on sales staff.

Barclays and Nationwide are the two latest big names to be damned for bad training of sales staff - the very problem that earlier caused Norwich Union to pull all its salesmen off the streets and put them back in the classroom. Lack of proper control systems was the sin at Legal and General and Cornhill.

Bad, but not really that surprising: the criticisms merely confirm what the public had suspected already. And perhaps the companies will repent and amend their ways.

More disquieting is a recent survey by Sun Life asking independent financial advisers what commission structure they would like in future - ie, when disclosure becomes compulsory in January. It is hard to believe that the public will continue happily to buy life insurance when they realise quite how big the commission is, particularly at the start of a policy.

Outsiders had predicted that fear of the public reaction to disclosure would prompt companies to spread commissions more evenly over the policy period. Hence Sun Life's tentative survey suggestion that the advisers might like to give customers a better deal by handing some or all of the customary commission back - or, at least, spread it over a longer period. No dice.

More than 90 per cent of the independent advisers polled said they would still like to get the same money, thank you. And more than half of that 90 per cent want to stick to the present system - whereby they get the vast majority of their money at the time they clinch the sale - rather than spreading commissions more evenly over the life of the policy.

Sun Life, for its part, dismisses any intention of trying to force a change in commission structures. It reckons the decision is up to the advisers, since they are the ones who will have to sell the policies. No worries about what will happen if they fail. Impotence or complacency run mad?

"Queen Jupiter vult perdere, demum punit."

□ □ □

First catch your phoenix. Extraordinarily good fund managers, such as Warren Buffett and Peter Lynch, do exist. But they are very rare and very hard to identify without hindsight. So, why not abandon the futile search and settle for something that is attainable - an index fund?

This is one of the main messages of a splendid American book called *Bogle on Mutual Funds*. (These are the US equivalent of unit trusts). And what is so disarming about this particular messenger is that the author, John Bogle, runs a £100bn mutual fund business called Vanguard, renowned for its rock-bottom management fees.

Index funds, also known as tracker funds or passive investment funds, follow a particular stock market index - such as the FTSE-A All-Share Index - by investing in a bunch of shares selected statistically to mimic the index, rather than beat it.

Mimicking the index sounds like a distinctly wimpy ambition. Surely real fund managers beat indexes - or die in the attempt?

The trouble is that most fail but soldier on. If you take account of costs, only one in five funds beat the market, says Bogle. And "...it is certain that passive investment strategies have, will, and must outperform active investment strategies in the aggregate".

So, why are index funds still in a minority? Three reasons. First, indexing is counterintuitive.

Most people feel safer in a train with a driver.

Second, investment advisers and managers make less from index funds than from actively managed funds; commissions and charges are lower. Third, hope springs eternal. Fortunate investors brag about their success; others envy and attempt to emulate.

If you are humble enough to settle for an index fund, which should you choose? Even low charges make a slight dent in performance and mean that all index funds are likely to do slightly worse than the index they mimic. But go for the index fund with the lowest expense ratio, and never pick one with a front-end charge, says Bogle.

The only UK tracker fund with no initial charge is Garmore UK, which also has an annual charge of only 0.5 per cent. It has a good and consistent performance record.

□ □ □

The new issue market has flickered back into life. Both venture capital group 3i and money broker Exco started trading at modest premiums - ie, the price in the stock market after normal dealings started was more than the launch price.

That should not encourage stags to come out of hibernation, though. Most company sponsors aim for a modest premium. And both 3i and Exco were priced when the market was groggy, so the pricing was not ambitious.

3i at least, always looked bound to appeal to large investing institutions, while Exco has its own groupies. And, of course, the whole stock market has picked up a bit recently. But that is no reason to say "yes" to the next tip-top outfit that passes the hat round.

* *Bogle on Mutual Funds*, by John C. Bogle, Irwin Professional Publishing, New York; £29.95.

HIGHLIGHTS OF THE WEEK

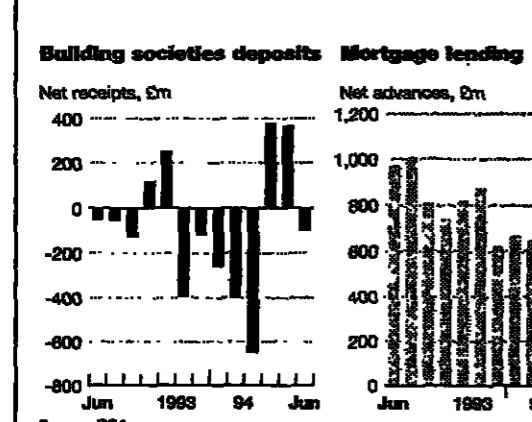
	Price y/day	Change on week	1994 High	1994 Low
FT-SE 100 Index	3114.7	+36.9	3202.3	2576.6
FT-SE Mid 250 Index	3630.9	+7.8	4152.8	3383.4
British Aerospace	512	+19	584	390
Celtech	211	+19	233	181
Courtaulds	530	+20	580	467
Kingfisher	509	-25	778	477
Mirr Group	140	-12	203	123
National Express	330	+26	330	245
Royal Insurance	263	+16	350	2321
Shell Transport	742	+32	755	651
Smith (David S)	547	+24	573	388
3i	291	+19*	295	280
Tomkins	232	+8	283	213
VSEL	895	+37	1093	816

* Change based on issue price

AT A GLANCE

Finance and the Family Index

Brokers' response to rolling settlement III
Buying options/Diructs/Ahead/Results due IV
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The Professionals: Fleming/Facts for borrowers and savers VI
QSA Briefcase/New trust launches/CGT/Highest Rates VII



Outflow of retail funds from building societies

Building societies experienced an outflow of retail funds last month after two months of net inflows, indicating that savers are either spending their money or putting it into other investments. Net outflows amounted to £104m according to the Building Societies' Association.

At the same time, new mortgage lending rose sharply last month to reach its highest level for almost two years. Net new lending totalled £1.14bn in June, an increase of 38 per cent on May, and higher than the £976m recorded in June last year. Adrian Coles, director-general of the BSA, said that while the figures suggested a more positive view of the housing market than others recently published, the market continued to be uncertain.

Inland Revenue's pledge

Slow service from the Inland Revenue should become a thing of the past if new targets are met. The IR's tax and collection offices have announced their intention to deal with every aspect of people's tax affairs correctly first time; answer telephone calls in 30 seconds; deal with repayment claims within 42 days during the peak period from April to September, and within 28 days at other times. Offices should be open for telephone calls and visitors at least 40 hours a week. Existing targets include replying to correspondence within 28 days, and attending to callers at inquiry centres within 15 minutes.

Tax breaks explained

New tax breaks for investing in start-up companies are explained in a guide to the Enterprise Investment Scheme, published this week by the Department of Trade and Industry. The EIS was introduced in the last budget as a successor to the Business Expansion Scheme (BES), which gave investors substantial tax relief for investing in start-up businesses. Rules for the EIS differ from the BES in a number of respects.

Copies of the guide can be obtained free from the DTI Small Firms Publications, PO Box 1143, London, W3 8QD. Tel: 081-896 2116.

Smaller company shares perk up

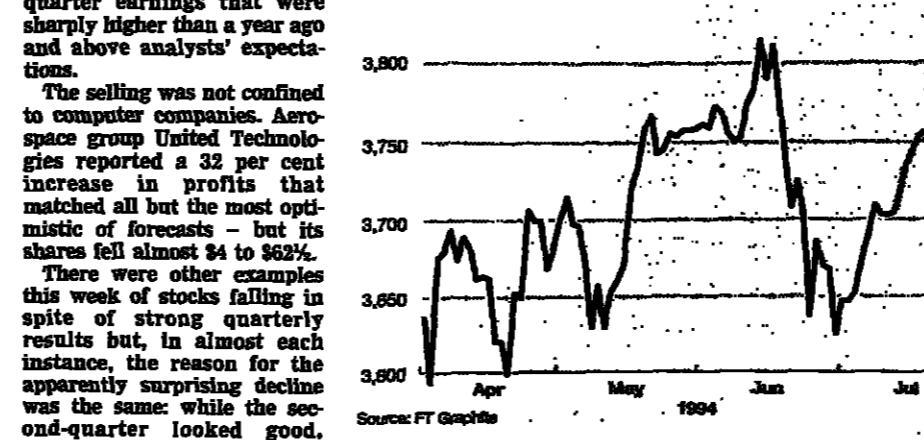
Smaller company shares perked up a little this week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 1.4 per cent to 1638.96 over the week to July 21, after a smaller rise the previous week.

Next week's finance and the family

The peak buying season for new cars starts in just over a week, with the arrival of M-registration plates. We guide you through the different ways of paying for and insuring your new car.

Soaring earnings fail to impress investors

Dow Jones Industrial Average



possible easing off in the sales growth of its core database products, and United Technologies suffered from signs of moderate sales weakness in two of its divisions.

Admittedly, there is nothing new in this type of reaction - the most basic theory of investing says that earnings news is always old news, and that share prices should be driven more by expectations of future, not announcements of past, performance. Investors seem to have been especially harsh on stocks in this reporting season.

The most likely explanation is a broader underlying current of concern about the economy - a whole. Although it has been growing more rapidly than expected this year, most Wall Street analysts believe it will slow down in

the second half and beyond as the impact of higher interest rates begins to bite. And if economic growth is about to slow, that means sales of computers, cars, washing machines, and much more, are likely to do the same, spelling bad news for US companies.

Yet, the fear that economic growth is going to slacken does not necessarily have to be an entirely negative influence on share prices. The stock market has had a difficult 1994, mostly because of the sharp, and unanticipated, rise in long-term interest rates since early February. Rates have been climbing steadily from historic lows because the bond market is worried that the rapidly-expanding economy will lead to higher inflation.

FINANCE AND THE FAMILY

We are almost a week into rolling settlement, the new stock exchange system for paying for shares — yet many brokers have not prepared for some of the changes that are taking place. They have concentrated on encouraging clients to move into nominee accounts, where the stock is registered in the name of the broker's nominee company instead of the client himself. This makes administration much easier for the broker, and some clients also prefer having less paperwork to cope with.

Other issues — such as penalties for late payment and facilities for allowing margin trading (lending money to clients to buy shares) — are apparently being treated on a "play-it-by-ear" basis. Indeed, one of the 20-odd brokers to whom we spoke suggested delaying this article for a month — by which time, he said, his firm hoped to have formulated its policy.

■ **Nominee accounts**

Ten-day settlement — also known as T+10 — is only the first step towards a faster settlement process. The stock exchange intends to bring in five-day rolling settlement next year. At the moment, a gap of 10 working days still allows enough time for certificates to pass back and forth between broker and client when the latter decides to deal. It is, however, difficult to see how this will be possible under the shorter-time frame of T+5. Nominee accounts are then likely to be the only way the majority of private clients will be able to deal.

Nominee accounts are used already for all personal equity plan holdings. Most brokers operate both pooled and designated nominee accounts. Pooled nominees group together shareholders, and the only name that appears on the register is that of the nominee company. In a designated nominee, the broker's name and the client's designation — usually a number — appear together on the company register and this should ensure that the investor retains shareholder benefits.

Some brokers — including Broadbridge, Butterfield Securities, Dunbar, Boyle & Kingsley, Fidelity Brokerage, Fysh, Horton, Finney, Killick, Sharemarket and Shaw & Co — operate designated nominees only (other than for Peps, which are in pooled nominees).

Surprisingly, ShareLink, the execution-only dealing service, has not yet put in place a nominee account for its dealing customers, although it says plans are under way. It operates a pooled nominee for Peps and new new issues customers.

■ **Penalties for late payment**

Understandably, brokers are stressing the need for prompt payment. If, after 10 days, a client's cheque does not clear, the broker is left holding the shares. Some brokers say they will charge the client interest — the figure mentioned most often is 3 to 4 percentage points above the present base



IMPACT OF ROLLING SETTLEMENT ON SHARE-HOLDER

Brokers take the easy path

Scheherazade Daneshkhu and Bethan Hutton on the progress of rolling settlement

rate of 5.25 per cent.

Others may also charge a fee. Shaw & Co. says it reserves the right to charge a late-delivery penalty of 25 a day on top of an interest rate of 4 percentage points above the base rate. It warns that if stock remains undelivered for 10 days, all costs and charges incurred will be debited to the client's account.

Others have no penalties for late payment at the moment. James Capel said: "We wait to see how the market deals with late payment and what compensation we shall be seeking."

Brewin Dolphin Bell Lawrie is waiting until September before bringing in late-payment penalties; this will allow clients to get used to rolling settlement. But it could charge

up to 5 percentage points over the base rate after that.

In general, execution-only brokers will charge higher penalties than advisory brokers. Fidelity says it will charge 10 percentage points above base rates while ShareLink could charge interest at 15 per cent APR and make an administrative charge up to 240, as well as selling the shares involved and using the money raised to settle the amount owed.

The Tring-based Share Centre will not buy stock unless the client already has enough money in his account to pay for it.

■ **Is extended settlement possible?** Yes, although it is up to market-makers — dealers who set the price for stocks — to accommodate brokers. Cif-

ents most likely to want extended settlement are speculators.

Earlier this month, Smith New Court, the securities house, said it would accommodate brokers requesting special settlement after T+10. Settlement is the process by which shares are delivered to a buyer in exchange for delivery of payment.

In other words, a client who wants to settle on T+11 might be able to do so if he tells his broker when he places the order.

Brewin Dolphin Bell Lawrie says: "Clients can request to deal for special settlement. Any price differential will be a matter for the market-maker — we will not charge extra for such a bargain." Williams de Broe says it expects to be able to improve on

terms offered by others.

Sharemarket, the Manchester-based execution-only broker, is making extended settlement a feature of its service. It will allow clients (at its discretion) to roll over each 10-day settlement transaction for another 10 days, subject to certain terms. But other brokers such as Dunbar, Boyle & Kingsley and Albert E. Sharp say they will not allow extended settlement.

■ **Margin trading** Most brokers say they are thinking about this, but few have come up with concrete plans. Williams de Broe, Shaw & Co., Butterfield and the Share Centre are among those offering margin trading to selected clients.

What you can expect to pay

Nominee account charges can be confusing. The most common charging method is a fixed fee for each stock held, payable on a quarterly or half-yearly basis. This often covers the whole nominee service, but sometimes there are additional charges.

These cover such things as transferring shares into or out of the nominee account, collecting dividends, preparing valuations or tax certificates, passing on annual reports or other company documents, arranging attendance at annual general meetings, or benefiting from shareholder perks. Holding overseas shares in a nominee account is usually more expensive.

A few brokers make no charge for the nominee service — but make sure this is not balanced by higher dealing costs or other charges. Users of execution-only services are more likely to be charged for nominees than discretionary or advisory clients, who usually pay higher charges elsewhere.

Some brokers reserve the right to make a charge for company reports or AGM attendance, but do not necessarily impose it.

Many of the mass-market share dealing services take an all-in approach to nominees. Stockbrokers have different nominee charges depending on whether you are an execution-only or advisory client, but provides the same pooled nominee service for both.

This includes half-yearly valuations, composite tax voucher, company reports and accounts, most shareholder perks and voting rights.

Advisory clients pay £1 a stock each quarter (minimum £25) for the full service; execution-only clients pay 75p a stock each quarter (minimum £25) for the same service. Dealing charges are identical.

Fidelity Brokerage, which has about 25,000 execution-only customers, registers all purchases automatically into a designated nominee account but makes no charge for the

nominee, which includes the full range of services. The one exception is a £20 charge for re-registering shares into another name. Leeds-based Broadbridge does not charge for nominee accounts, and dealing charges are the same whether or not a nominee is used.

At the other end of the scale, the more exclusive Williams de Broe includes a nominee service in the annual fee for its discretionary and advisory portfolio management service, but execution-only clients are charged £3 a stock held in the nominee account each quarter, plus an extra 23 p per dividend collected, 55 p for tax certificates, and other charges for transfers out of the nominee.

James Capel charges advisory clients £15 a stock each quarter for its nominee package, in addition to a £250 annual administration charge for each portfolio.

Most brokers have not yet altered their nominee charging structures in response to rolling settlement but some, which until now have not charged for nominee accounts, may start once larger numbers have opted for the service.

One is Albert E. Sharp, which says: "We do not charge advisory dealing clients for nominee accounts, but are reviewing this policy and may decide to do so in due course." Before you sign up, it is worth asking any broker how long the charging structure is due to be in place.

Dealing charges are sometimes different, depending on whether you are using a nominee account as well as whether you are dealing on an execution-only, advisory or discretionary basis.

Dealing with in-house nominees accounts is usually easier administratively for the broker, so not using a nominee could make dealing more expensive. Butterfield Securities charges non-nominee customers an extra £10 a deal, and James Capel has a £25 "delivery fee" for non-nominee advisory clients.



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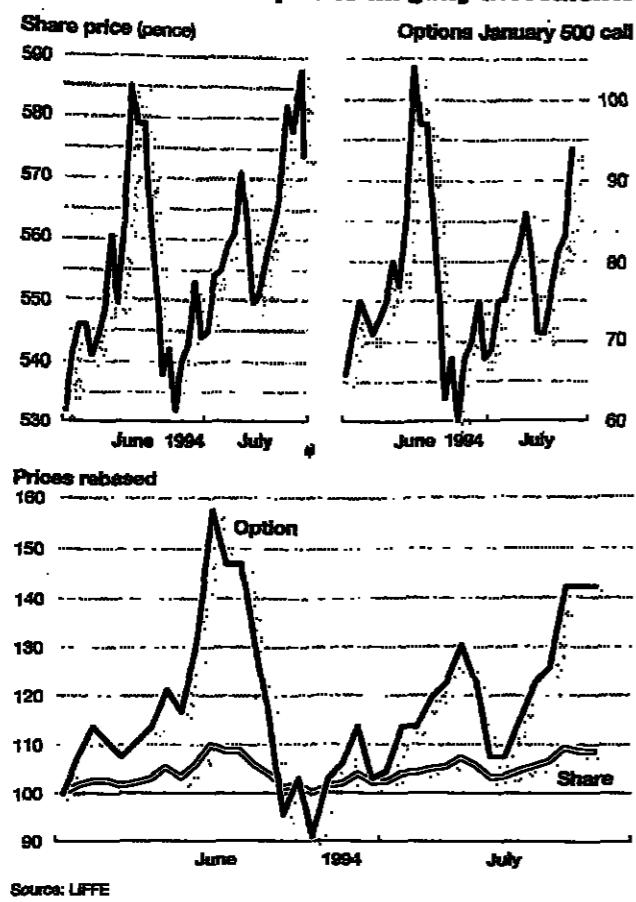
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FINANCE AND THE FAMILY

Glaxo shows how options magnify movements



Source: LIFFE

Speculators face a potential blow under rolling settlement, the new stock exchange method of paying for shares (see page III). Under the old system of account trading - which covered 10 to 15 per cent of stock market deals - they could buy and sell shares for a quick profit without having to put up any money or take physical possession of them. Now, each deal will have to be settled - either in cash or share certificates delivered - 10 business days later.

What, then, should the speculative investor do? He has two natural choices. One is to engage in margin trading, borrowing money to buy shares. The other - to which Liffe, the London derivatives exchange, hopes investors will turn - is traded options. Like margin trading, buying traded options is a geared investment: you make more money than you would in the underlying shares if the share price moves in your favour - but you can lose everything if it moves against you.

A buyer of a traded option has the right, but not the obligation, to buy or sell particular shares at a fixed price or at any time up to a specific expiry date. Calls (the right to buy shares) and puts (the right to sell them) are available in 70 different companies, with a range of different prices and periods available for each.

Traded options relate mainly to FT-SE 100 companies and most are traded only in blocks representing 1,000 shares. There are also traded

options in the FT-SE index itself. At the moment you can, for instance, buy Glaxo options which expire this month (July), or in October or next January. The share price is around 580p; available options give you the right to buy at, for example, 550p or

600p. Not unnaturally, you pay for this right. An option lasting until October, and which gives you the right to buy at 600p, will cost 25.4p - but one for the same period, giving the right to buy at 550p, will cost 5.4p. If the Glaxo price remains unchanged during that period, the 600p option will expire

worthless while the 550p one has intrinsic value of around 30p. But if the share price slips to, say, 560p, that intrinsic value will be cut to 10p.

The point about traded options, however, is that you can buy and sell the option itself - you do not need to use it to buy the underlying shares. So, if the Glaxo price were to move up smartly, the options probably would rise even more sharply and you could take your profits by selling the options.

Here is a real example of what might have happened. Say, earlier this summer, an investor noticed that

pharmaceuticals had underperformed the broad London market and that Glaxo had done particularly badly. Indeed, on June 27, Glaxo shares had underperformed the falling market by 13 percentage points over the previous six months and stood at 533p.

One response could have been to buy 1,000 shares in that case, £533, which could be earning interest in the building society, would have been tied up. Alternatively, a January 500 call - that is, the right to buy the shares up until January 1995 at 500p each - would have cost 5.4p a share, or about £535 (plus costs) for a contract.

The 63.4p option price (known as a premium) is made up of two elements: intrinsic value and time value. Intrinsic value is the amount by which the option is below the underlying share price. (Not all options have intrinsic value). Time value is the difference between the intrinsic value and the actual cost of the option. Working it out involves a complex mathematical formula but, essentially, the longer the option's period, the greater the time value - because the chances of it acquiring intrinsic value in the interim are greater.

The intrinsic value rises or falls with the value of the shares. But it exaggerates the movements in the underlying share price. The time value does not decrease in a straight line in proportion to the time involved. Often, it remains relatively high until shortly before expiry, especially when the market swings the way it has done recently. In fact, by Wednesday this week, Glaxo shares had reached 583p and the price of Glaxo January 500 calls was 96p. An investor could have sold the £535 contract for 96p.

The two main advantages of calls over shares is that (a) they are a geared play offering the potential for much greater gains, and (b) the amount that can be lost is limited to the cost of the option. Puts operate in the same way as calls except that they allow investors to SELL shares at a fixed price up until the expiry date. They allow investors to insure or hedge against falls in the market.

Where to find the guidance you need

Trading options is only for knowledgeable investors with deep pockets. The problem is that in-depth information is not available as readily as that for shares.

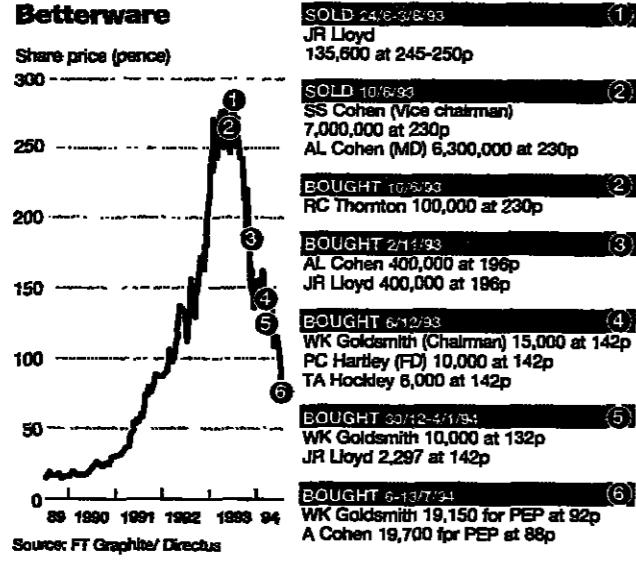
The London International Financial Futures Exchange (Liffe) will be a help* and will provide a starter pack that includes a newsletter, a list of about 50 brokers, a slim guide book, and a programme of seminars which costs between £9 and £12. After that,

however, you are on your own. The next stage is to contact a broker although only about a dozen, such as KUH & Co., will give advice on strategy. But Graeme Hatch, the head of KUH & Co.'s traded options team, warns that unlike share portfolios, which can be left in the care of a broker, options are too risky to devolve. "They are far too volatile and speculative to leave to a broker, and people should follow them closely," he says.

For more confident investors, there are execution-only brokers which will charge less but provide no specific advice. The most well-known is probably ShareLink, of Birmingham. ShareLink will send out an information pack similar to Liffe's and a regular newsletter. After that, it can tell a client nothing more than the prices and the spreads.

*For Liffe's help-line, call 071-379 2233/2235.

Directors' transactions



Always look at directors' dealings in context. The recent small purchases, totalling £56,000, by two directors of Betterware are insignificant when compared with sales worth £30.6m by the Cohen family in June 1993. The shares had tumbled by 60 per cent between the Cohens' big sale and the recent purchases - and have fallen even further, to just 76p.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No. of directors
SALES				
Bodycode	Eng	41,000	113	1
British Bloodstock Agency OS&B	30,000	26	1	
Chrysalis	L&H	10,279	17	1
Lonrho	Div	135,562	177	1
Osborne & Little	HGd	40,000	156	1
PURCHASES				
Anglo Eastern Plantations OS&B	86,300	65	1	
Asprey	PerG	375,000	1,148	1
Betterware (Pep)	PerG	18,700	17	1
British Bloodstock Agency OS&B	30,000	26	1	
Brunner	InvT	5,256	12	1
BTPL	Chem	6,186	18	1
General Electric Co (Pep) ESE	11,754	32	2	
Low & Bonar (Pep)	PP&P	6,000	24	1
Lowe (Robert H) (opn off) Tex	10,655,907	852	4	
M & G Group	OthF	25,000	204	1
Oly Estates	Prop	8,358,200	84	1
Roskel (Pep)	B&M	11,700	11	2
Royal Bank of Scotland	Brks	2,500	11	1
Scottish Mortgage & Trust InvT	18,000	38	1	
Smith New Court	OthF	12,313	44	5
Triplett Lloyd	Eng	10,000	14	1
WGW Group	PerG	75,000	27	2

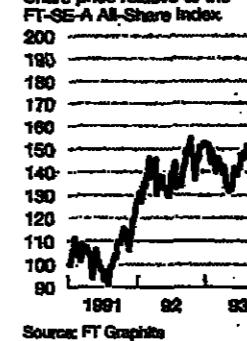
Value expressed in £000s. This list contains of transactions, including the exercise of options (*) or 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange July 11-15 1994.

Source: Directors Ltd, The Inside Track, Edinburgh

The week ahead

Results

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphs

proposed £1.8m acquisition of Cheltenham & Gloucester building society. Pre-tax profits of about £250m are expected although the figure is uncertain because it will be affected heavily by how much the bank

gains from releasing bad debt provisions.

■ Interim results from Lloyds Abbey Life, the life insurance group, on Wednesday are expected to show pre-tax profits of £164m to £175m for the six months to June 30 (£152.5m). Interim dividend is expected to be between 6.5p and 6.7p (6.3p). Acquisition of new life and pensions business will have been difficult, especially given the emphasis put on training the sales force.

■ Growing vehicle sales and an exceptional gain on the disposal of the Appleyard motor dealer group should lift interim pre-tax profits at Lex Service, the UK's largest car distribution and leasing group, to around £21m (£21.2m) under FRS3. Analysts expect underlying profits of about £24m when the group reports on Tuesday.

PRELIMINARY RESULTS

Company	Sector	Year	Pre-tax profit (£m)	Earnings per share (p)	Dividends per share (p)
ADM Group	Eng	Apr	1,010	6,500	4.2 (7.5)
Entex	PerG	Apr	6,740	6,500	20.0 (20.0)
Executive Group	PerG	Apr	910	1,070	1.04 (1.05)
Colgate & Fawcett	PerG	Apr	226	1,200	0.23 (0.25)
Crayton Naturally	PerG	Apr	321	990 L	0.8 (1.0)
Days Exploration	PerG	Apr	1,080	1,000	14.2 (13.8)
Ehle	InvT	Apr	18 L	1,220 L	- (15.2)
Entel	Text	Apr	257 L	992 L	- (1.0)
Fiat Technology	EngV	Apr	4,100	2,340	17.3 (17.5)
Goodes Darent	Text	Apr	70,200 L	8,000 L	14.5 (14.5)
Hartstone Group	Text	Mar	165	7,500 L	- (1.0)
Hollins Group	OffP	Mar	50.8	6,400	3.15 (3.15)
Imperial Chemical Industries	PerG	Mar	5,000	1,500 L	7 (5.2)
Macmillan Sec Inv Tst	InvT	May	162.1	1,043 L	4.95 (5.05)
Music Investments	PerP	Apr	1,000	14,000 L	10.5 (10.5)
Nobis Group	OSv	Apr	2,300	1,000	10.5 (10.5)
Okens Group	PerG	Apr	1,260 L	1,010 L	- (2.2)
Pelican Group	PerG	Mar	2,510	600 L	4.5 (4.5)
Seaford Gordon J	Prop	Apr	5,000	2,350	3.9 (3.9)
Smith David S	Prop	Apr	42,200	27,100	22.6 (21.6)
Southend Property	Prop	Mar	5,000	512	4.73 (4.73)
Tuesday Club	Eng	Mar	801	715	7.18 (8.05)
W&H Holdings	InvT	Apr	272	1,000	0.29 (0.29)
W&H Holdings	OSv	Mar	2,070	2,000	8.0 (8.0)
Wickes Carpet	PerG	Mar	1,260	1,000	4.5 (4.5)
YRM	Prop	Apr	2,340 L	1,000 L	- (1.0)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£m)	Interim dividend per share (p)
Automated Stroller	InvT	Jun	127.54	(142.39)
Automated Sea Holdings	Spv	May	6,700	4,800
Browns Delights	PerG	Jun	2,550	1,320
Brown & Jackson	PerG	Jun	12,700 L	(11,440 L)
Carlsile Group	OffP	Jun	1,000	(337 L)
Central Motor Auct	OffP	Apr	420 L	(347)
Edinburgh Jevs Tst	InvT	Jun	465	(61.28)
General Com Co	InvT	Jun	214.5	(200.0)
Greenwood New Cap	InvT	Jun	150.5	(150.5)
H&S Smith	Eng	Mar	1,740	(1,645)
Holmes Technology	InvT	Mar	102	(25)
Inspirations	InvT	Mar	970 L	(1,380 L)
Laythorn Group	InvT	Mar	601	(163 L)
Loco Enterprises	InvT	Apr	1,430	(1,359)
Little Wiles Group	Text	May	1,24	

FINANCE AND THE FAMILY

Winners and losers

Scheherazade Daneshkhu on the relative virtues of gilts and bond funds

Investing in a bond fund is, almost invariably, more expensive than buying gilts directly. Gilts can be purchased cheaply and easily enough over a post office counter from the National Savings Stock Register. But most UK bond funds have an initial charge of up to 6 per cent (the table shows some of the present bid-offer spreads – the difference between buying and selling units). They also carry an annual charge, usually of about 1 per cent.

Gilt prices and yields vary in inverse proportion. While yields have risen, from about 6 per cent to just over 8.5 per cent in the first six months of the year, the price of the 10-year benchmark gilt – Treasury 6% per cent 2004 – fell 16.9 per cent.

Investors in UK bond funds, who hoped to have fared better, may be disappointed to see from the table that the average unit trust in the UK gilt and fixed income sector fell by virtually the same amount – 16.66 per cent (offer to bid, no income re-invested) – over the same period.

This is despite the greater flexibility that bond funds have. Many of those in the UK gilt and fixed income sector invest in shorter dated gilts, corporate bonds and preference shares, which are part of a company's share capital and pay a fixed dividend.

When yields are rising, as has happened in the first half of the year, changes in price are greater for longer dated gilts than for those at the short end of the market. The J.P. Morgan UK government bond price index, which covers the performance of both longer and shorter dated bonds, fell 14.2 per cent over the first six months of the year – less than the 10-year benchmark gilt.

Bond funds investing in the

short end of the market have had an advantage over this period. The Whittingdale short dated fund does not invest in gilts with a maturity of more than six years and the fund's performance has benefited from this restriction. But when prices are rising, such as in the bull market of 1993, the shorter end of the market tends to perform less well.

Thus, the Whittingdale short dated fund was ranked 52 out of 58 by Micropal in the year to January 3 1994 (offer to bid, net income re-invested), although it was in the top five funds over five and 10 years.

Abbey Life's Capital Reserve fund (which is not included in the table because it has only accumulation units) also invests in short dated gilts. With net income re-invested, it is the top-performing fund (excluding bear funds) in the sector, mainly because it switched to cash.

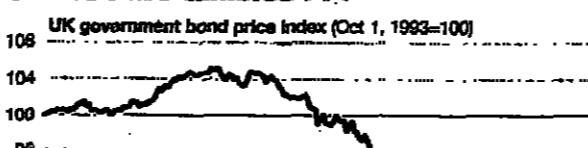
Gerard Wherity, its fund manager, says: "We were nervous last year because we thought that the rise in gilt prices was not sustainable.

"If we believe prices are going to fall, we avoid being in gilts. The fund has been liquid through fairly large chunks of the year, but we were more liquid than we should have been last year."

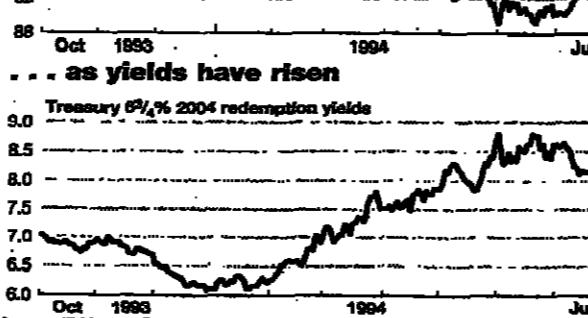
Many private investors, however, buy gilts for the income they provide. The highest yields of the top 10 funds listed were delivered by those investing in preference shares – Gartmore Preference and Thornton UK Preference – with over 9.17 and 8.5 per cent respectively.

Investors weighing the advantages and disadvantages of bond funds should note that there is a tax drawback to buying gilts in a unit trust. Gains are liable to capital gains tax, whereas gilts bought directly are exempt from it.

Prices have tumbled...



...as yields have risen



Best and worst performing UK bond funds

Fund Fund Size Bid-offer Percentage

TOP 10 (1/1/94-17/7/94)		size (£m)	spread %	Yield %	change (%)
Whittingdale Short-dated	47.0	1.28	0	-8.54	
Britannia Life Gilt & Fl	1.8	2.01	6.21	-9.13	
Burnage Short-Dated Gilt	1.8	1.28	6.19	-10.92	
Exeter Zero Preference	40.7	5.78	0	-10.95	
Aberdeen Gilt Income	18.23	0	6.51	-12.72	
AIB Girofund Gilt	2.75	3.00	5.44	-12.85	
Abitrust Fixed Interest	16.82	6.32	7.53	-13.09	
Thornton UK Pref	14.67	6.50	8.50	-13.38	
Gartmore Preference	6.80	6.50	9.17	-14.30	
Fidelity Gilt & Fl	21.50	0.95	7.37	-14.86	

BOTTOM 10

	Fund	size (£m)	spread %	Yield %	change (%)
Schroder Gilt & Fl	18.40	5.15	7.24	-21.82	
NAP Gilt & Fl	0.93	5.51	5.94	-21.78	
BO Bond	21.47	4.95	6.64	-21.55	
Legal & Gervi Gilt	5.00	5.70	6.75	-20.89	
Flemington Gilt Fund	13.74	3.03	6.19	-20.20	
Legal & Gervi	2.00	6.00	7.25	-20.18	
Prosperity Gilt & Fl	1.49	6.01	6.53	-20.18	
Norwich Gilt & Crumble	11.51	5.23	6.51	-20.18	
Clerical Med Gilt & Fl	5.00	4.91	7.98	-20.04	
Canlife Gilt & Fl	4.97	5.57	6.34	-19.73	

Sector average -16.68

Source: Micropal. Offer to bid with no income reinvested. Excludes bull and bear funds and funds with accumulation units only.

Diary of a Private Investor

Working to rule 535(2)

Rule 535(2) sounded as if it might be part of a European Union regulation, such as the one which defined a carrot as a fruit so that the Portuguese could continue using these vegetables in the production of jam. In fact, 535(2) was not an EU regulation but a very useful rule of the London Stock Exchange to facilitate dealings in certain unquoted securities.

Since July 18, when the stock exchange's new, re-numbered rule book came into operation, rule 535(2) has become rule 42. But its general provisions remain unchanged.

Shares in 23 companies are traded under Rule 42. These include the Arsenal, Aston Villa, Everton and Glasgow Rangers football clubs; Adname and Shepherd Neame, which operate breweries and pubs; Lawrie Group, a tea and coffee company; Exchem, which makes specialty chemicals, mining and quarry supplies; and cereal-maker Weeks.

In April, Michael Lawrence, chief executive of the London Stock Exchange, launched a plan to "promote the interests of both quoted and unquoted smaller companies". One of its suggestions was the "development and re-launch of the 4.2 trading facility as a distinct market with a suitable level of regulation".

I first bought shares in a 4.2 company in 1989 when a stockbroker recommended Southern Newspapers. Based in Southampton, the company dominates its regional market; its publications include an evening newspaper in the Poole and Bournemouth area, where I live. I was happy to pay 325p as

I felt the company had a bright future, possibly through a take-over bid.

An unfortunate investment in Leading Leisure led to write-offs in Southern's 1990 accounts of more than £12m and a decline in its take-over prospects; as a result, the shares drifted down. Undeterred, I took the opportunity in 1992 to add to my holding at 225p. Southern's shares now are worth more than £4 and the company is valued at well over £90m. Pre-tax profits for the half-year to January 1 1994 were £7.15m, although this included £3m from selling its shareholding in Portsmouth & Sunderland newspapers.

Several companies have moved from the 4.2 market to a full listing; recent examples include Celitech, Independent Insurance Group, Scotia, Tadpole Technology, The Telegraph newspaper group and Vardon, a leisure concern. This

listing, plus complying with all the regulatory requirements.

Under Rule 42, a company need not pay a fee to have its shares traded. Instead, a stock exchange member firm applies to deal in the shares of a particular concern: if permission is given, this lasts for 12 months from the date of the 12 months from the date of the

listing, plus complying with all the regulatory requirements.

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listing, plus complying with all the regulatory requirements.

Most of the dealings in this market are on a "matched buy/gain" basis: a seller is matched with a buyer and vice-versa. Details are reported to the stock exchange and prices are published in its daily Official List as well as on the dealing page in the Saturday edition of the *Financial Times*.

Some 4.2 companies actually are very private, and share dealings are extremely limited.

In other words – and subject to certain conditions – if an investor owns less than 25 per cent of an unquoted company, the IHT is reduced by 50 per cent on such holdings.

It is encouraging to see interest being focused on this area – although one hopes that the various tax incentives will continue to be protected.

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FINANCE AND THE FAMILY

The Professionals In search of that certain mystique

Joanna Slaughter continues her series on private client investment managers. Today: Fleming

Graham Ball, managing director of Fleming Private Asset Management, the private client arm of the Fleming Group, believes that its flexibility makes it different from much of the competition. Clients can choose the way their money is managed and how they pay for it.

Ball says: "Clients can be advisory or discretionary, fee-paying or commission-paying, onshore or offshore, international or sterling-based. And we take enormous pains to find the fund manager most suited to a new private client."

Last year, FPAM's funds under management on behalf of more than 3,600 private clients grew by £1bn to £2.7bn.

Within its basic portfolio management service, £295m is managed for discretionary clients, and £50m is run on an advisory basis.

FPAM offers two private client services - portfolio management for those with £100,000-plus, and a highly personalised approach for those with more than £1m who want an equity-based fund management service in a major currency.

Given the house philosophy of choice and flexibility, it is no surprise to learn that all clients have a bespoke portfolio. Unit trusts may be recommended for exposure to smaller companies or to exotic markets, but collective investment vehicles will not be used if the client demurs.

Ball dismisses those who argue that more modest clients should be steered towards collective schemes. "There is no doubt that a bespoke portfolio is far sexier than a unit trust portfolio," he says. "And if clients have a unit trust, they have to pay management fees. At the end of the day, we can make a good profit with a bespoke portfolio of £100,000 - and so can the client."

The 40 private client investment managers have access to the independent research and international capabilities of the Fleming group. It has an in-house research unit of six, although the task of interpreting this research for clients is left to individual fund managers. Their performance is monitored regularly.

Investment managers: factfile 5

Fleming
(Fleming Private Asset Management)
Established: 1873

Regulator: SFA

Number of offices in UK: One

Number of offices worldwide: 42 in 30 countries

Funds under management: £2.7bn (private clients); £50bn (Fleming Group)

Number of UK private clients: 3,600

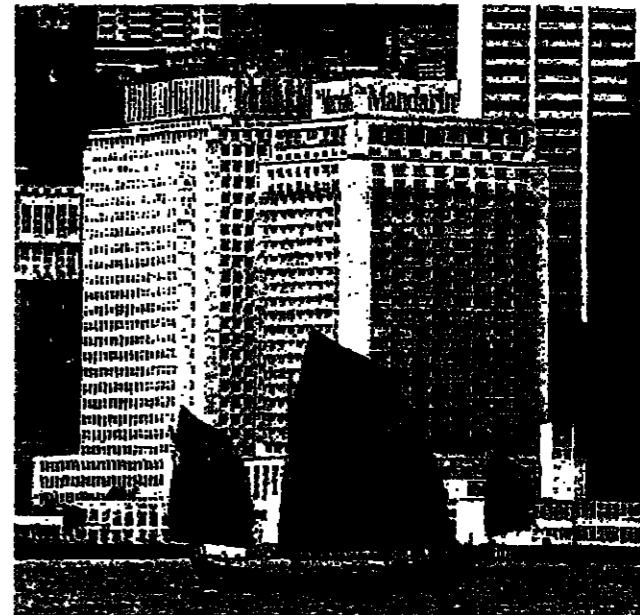
Number of expatriate/foreign national private clients: 63

Minimum investment for private clients: £100,000

Current asset allocation for private clients: UK equities, 67%; overseas equities, 29%; commodities, 2%; bonds, 0%; cash, 2%

Average annual portfolio turnover: 30%

Fee: Commission basis, annual fee £250 (discretionary) or £350 (advisory), plus commissions; fee basis, 0.75 per cent of portfolio value (minimum £1,500 a year), plus transaction commissions.



Hong Kong, a key centre for FPAM's Pacific rim dealings

At the end of the day, we can make a good profit with a bespoke portfolio of £100,000 - and so can the client."

In the main, UK private clients will be invested in the top 250 shares. Annual portfolio turnover averages 30 per cent. The house view on asset allocation is reviewed each month; indeed, FPAM has recently taken 2 per cent of the US and put 2 per cent into the Pacific rim. The present recommended allocations for a UK client are: cash, 2 per cent; bonds, 0 per cent; UK equities, 67 per cent; US, 10 per cent; Japan, 6 per cent; Pacific, 5 per cent; Europe, 5 per cent;

emerging markets, 2 per cent; and commodities, 2 per cent.

And although clients may have as much as 25 per cent of their portfolio in cash and gifts if prudence dictates, FPAM's policy is to have portfolios sheet and good products."

He adds: "We are probably not ruthless enough with losses. At the end of the day, we should put in stop losses. Some managers do, but we don't do enough of it. I think

the reason is the volatility of the markets."

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For the future, Ball would like FPAM to expand on the international side and to acquire another stockbroker or investment house. But growth will not come from advertising or promotions. "Despite our success, Flemings are not known for their private clients and that suits me," says Ball. "What we are running is a quality operation. I want an air of mystique so people think it is a privilege to be a client."

Information is essential to managing your cash, just as it is for investing in shares. Although putting cash on deposit should be the most straightforward part of managing a portfolio, it is often difficult to know where to locate the best rates. Here is a run-down of useful sources.

■ **MoneyFacts**
A monthly bulletin gives savings rates (including tax-exempt special savings accounts, offshore accounts and accounts for businesses, charities and clubs) from around 70 building societies and a range of banks, although the smallest are excluded. In addition, there are details of current and student accounts and National Savings.

The fixed-rate section includes local authority bonds, retail co-ops and guaranteed income bonds. Borrowing also is covered, taking in credit, gold and store cards, personal loans and mortgages from around 100 lenders.

The service is aimed primarily at the professional adviser, although one-off copies of the magazine can be obtained for

24.25*. But information can soon become stale in a monthly publication of this sort. For this reason, it is being updated constantly on the main MoneyFacts database.

Three premium-rate lines give a lengthy summary of the latest rates: 0336-400 238 for savings, 0336-400 239 for mortgages, and 0336-400 237 for commercial mortgages. You will need a fax machine to receive the information. The cost is likely to be around £1 to £5, depending on when you call.

Some information is available free on Channel 4's teletext service (pages 545-546). MoneyFacts also provides the *Weekend FT* with its High-Rates For Your Money table on page VII today.

■ **Blay's Guides**
These are another comprehensive source of information and also aimed at professionals. Unlike MoneyFacts, you are

given both gross and gross compound annual rates. In addition, you can find out the net rates for both 25 and 40 per cent taxpayers.

You cannot buy an individual copy of the monthly paper-based Blay's MoneyMaster but it is sometimes found in public reference libraries. Alterna-

tively, find out if your financial adviser subscribes to the more sophisticated computer-based version of the service.

A fair amount of free information can be found on BBC's Ceefax, pages 261-267.

■ **Chase de Vere**

This is a firm of independent financial advisers well-known for its comprehensive guide to the personal equity plan mar-

ket. In addition, it runs a Moneyline service, which can take 200 to 300 calls on a quiet day. This costs nothing and can be dialled via Freephone.

Savings details from all building societies and the large banks are updated once a week. Inquirers will be sent a brief summary of the top-pay-

ing account for different levels of investment, different notice periods, and for fixed terms. There is also a summary of guaranteed income bonds.

The firm's subsidiary, London & Country Mortgages, has a Freephone line (0900-373 300) with mortgage information.

■ **Moneyfax**

This is the newest of the services but, in many ways, is the

least impressive. Launched in June, it compresses too much on to one page a range of best-buy savings rates (including Tessco) along with details of credit cards, mortgages, personal loans and overdrafts. Similar summaries can be found in many newspapers and magazines.

By its nature, Moneyfax can be only a starting point for financial decisions and it will cost you about £1 to get it - cheap, but not a best buy. You will need a fax machine and the telephone line is premium rate.

■ **FT Cityline**

This provides a comprehensive mortgage service, updated daily, at a premium rate. Again, you will need a fax machine. The 18 specialist lines include one on fixed-rate re-mortgages and another on first-time buyer deals.

The cost could be £2 to £5 depending on the length of the

fax. You can get details of the different numbers to ring from the Cityline help desk. A similar service for savings rates is being developed.

■ **Individual institutions**
Some organisations operate information lines, most with Freephone (0800) numbers. But you will, of course, be given details only for in-house products. Even so, savers often have their own reasons for choosing or sticking with a particular organisation.

■ **MoneyFacts: Laundry Line**, North Walsham, Norfolk NR28 0BD; tel. 0693-500 665; **Blay's**, 0753-381 482; **Chase de Vere's Moneyline**, 0800-528 091; **Which? Moneyfax**, 0839-300 506; **FT Cityline**, 071-973 4387. (Premium rate phone lines cost 49p a minute or 59p at the cheap rate.)

■ **Information lines:** **Abbey National**, 0800-555 100; **Bradley & Bingley**, 0274 553 332; **Britannia**, 0800-252 579; **C&G: savings**, 0800-717 505; **mortgages**, 0800-272 131; **Leeds**, 065-315 216 (calls charged at local rate); **Nationwide**, 0800-400 417; **N&P**, 0800-898 080; **Woolwich**, 0800-400 900.

For the future, Ball would like FPAM to expand on the international side and to acquire another stockbroker or investment house. But growth will not come from advertising or promotions. "Despite our success, Flemings are not known for their private clients and that suits me," says Ball. "What we are running is a quality operation. I want an air of mystique so people think it is a privilege to be a client."

Ball established a traded options team two years ago and says: "With markets so volatile, there is no doubt that derivatives are going to become more and more important, and I think it is important to protect our portfolios. It is a learning curve. It is very important to hedge, but most private clients do not do it properly. They will buy and sell options instead of writing them."

Ball says: "We think share prices are attractive at these levels. The view we are taking is that the average p/e for 1995 will be 12 times. That is not expensive; it is good value."

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Making your money work

For that, you need facts. Anthony Bailey tells you where to find them

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FINANCE AND THE FAMILY

No interest in a Tessa

I took out a tax-exempt special savings account (Tessa) with the Co-operative Bank when they were launched. The interest rate then was 14 per cent with a 1 per cent bonus if kept for five years.

Recently, the bank sent me a newsletter which included details of all its interest rates. The Tessa is now just over 5 per cent.

That was bad enough; worse was the statement that if you pull out capital before five years, you lose all the interest. I rang the bank and asked if this was true; when told it was, I immediately stopped my standing order.

I have never touched the interest. If I withdraw that and then close the account, could the bank deduct the equivalent interest from my capital?

With regard to the with-

drawal of capital from your Tessa: it is true that any withdrawal within the first five years will lead to a loss of all tax advantages.

There is no pro-rata relief if any sum of the capital is withdrawn.

Furthermore, any interest credited up to the date of the withdrawal will become taxable income for the year in which the withdrawal takes place.

There is, however, a facility to withdraw interest from the account without invalidating the tax-free status. These withdrawals must not exceed the full amount of interest credited to date, less basic-rate income tax.

The reasoning behind this is to place depositors in a similar position to what they would have been had they placed their funds outside a Tessa and

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the advice given in this column. All answers will be drawn up as soon as possible.

received interest net of tax. When the five-year period has ended, the balance of interest can be taken out without penalty.

As long as the depositor adheres to the relevant limits, there will be no income tax to pay, even on the interest withdrawn. (Answer by Murray Johnstone Personal Asset Management).

Your CGT

The table shows capital gains tax indexation allowances for assets sold in June.

Multiply the original cost of the asset by the figure for the month you sold it and deduct it. Subtract the result from the proceeds of your sale: the balance will be your taxable gain or loss.

Suppose you bought shares for £6,000 in September 1985 and sold them in June 1994 for £15,000. Multiplying the original cost by the September 1985 figure of 1.516 gives a total of £9,096.

Subtracting that from £15,000 gives a capital gain of £5,904 which is within the CGT allowance of £5,800. If selling shares bought before April 6, then you should add the March 1992 figure. The CGT in June was 144.7.

The Budget decision that indexation cannot be used to create or increase losses for shares sold after November 29, 1993, has been modified for £10,000 of transitional relief.

CGT INDEXATION ALLOWANCES: June 1994										
Month	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
January	-	1.752	1.868	1.587	1.503	1.447	1.401			
February	-	1.744	1.859	1.574	1.498	1.441	1.395			
March	1.821	1.741	1.654	1.559	1.495	1.438	1.390			
April	1.788	1.717	1.632	1.527	1.452	1.421	1.365			
May	1.773	1.710	1.628	1.520	1.479	1.420	1.363			
June	1.768	1.702	1.622	1.517	1.480	1.420	1.357			
July	1.767	1.698	1.624	1.518	1.481	1.421	1.356			
August	1.767	1.698	1.609	1.515	1.479	1.417	1.341			
September	1.767	1.691	1.608	1.512	1.472	1.413	1.335			
October	1.769	1.674	1.598	1.514	1.470	1.408	1.321			
November	1.761	1.670	1.591	1.503	1.457	1.389	1.315			
December	1.754	1.653	1.592	1.507	1.453	1.401	1.312			

Source: Inland Revenue

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Fall PEP Quot.	Savers	Charges outside PEP %	Minimum Invest. £	Charges inside PEP %	Minimum Invest. £	Special offer	Period	
										Initial	Annual
■ Southern Africa Fund											
Save & Prosper (0800 222101)	Int. Equity growth	0	No	Yes	5.5	1.5	No	1,000	n/a	n/a	n/a
The fund will also invest in Botswana and Zimbabwe; these are volatile markets and S&P advises a maximum 5 per cent holding in a growth portfolio.											
* 1 percentage point discount on £1,000-£2,000; 2 points on £2,000 or more; 2 points until July 1994 through monthly savings plan.											

NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	— Targets —			Issue Price	Minimum Invest. £	Maximum Invest. £	Annual Charge %	Offer Period
			Warrants	Star	Yield %					
■ INVESTCO Japan Discovery										
INVESTCO Asset management (0800 010333)	Pannier Gordon	Japan	1:5	n/a	No	100p	95.1p	1,000	1%	n/a

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Shipton BS (west 7.94)	3 High Street	0756 705011	Instant	22.00%	6.10%
Nottingham BS	Post Direct	0602 481444	Postal	5.00%	Y/Y
NOTICE A/cs and BONDS					
Exeter BS	9 Day Call	0392 50835	9 Day	£1,000	6.00%
City & Metropolitan BS	Super 60	061 464 0814	60 Day	£10,000	6.40%
National Counties BS	90 Day	0372 742211	90 Day	£50,000	7.15%
Yorkshire BS	Fixed Rate Bond	0800 376835	30.05.95	£5,000	6.50%
MONTHLY INTEREST					
Britannia BS	Capital Trust	0558 391741	Postal	22.00%	5.57%
Confederation Bank	Monthly Income	0438 744500	30 Day	£2,000	5.85%
Scarborough BS	Scarfborough 94	0800 595078	90 Day	£25,000	6.75%
Yorkshire BS	Fixed Rate Bond	0800 376835	30.05.95	£5,000	6.50%
TESSA (Tax Free)					
Confederation Bank	4038 744500	5 Year	£25,000	8.00%	Y/Y
Hinckley & Rugby BS	0455 251234	5 Year	£20,000	7.35%	Y/Y
Melton Mowbray BS	0884 658307	5 Year	£1	7.20%	Y/Y
Nottingham BS	0802 481444	5 Year	£1	7.15%	Y/Y
HIGH INTEREST CHEQUE A/cs (Gross)					
Halifax BS	Asset Reserve	0422 333333	Instant	£5,000	4.50%
Caledonian Bank	RCA	087 556 8235	Instant	£2,500	4.75%
Cheltenham BS	Classic Postal	0800 717515	Instant	£2,500	4.00%
OFFSHORE ACCOUNTS (Gross)					
Woolwich Garrison Ltd	International	0481 715735	Instant	£20,000	5.75%
Potman Channel Islands	Instant Gold	0481 822747	Instant	£20,000	6.20%
Confederation Bank (Irl)	Flexible Inv	0534 803050	60 Day	£25,000	6.80%
Confederation Bank (Irl)	Investment Cert	0534 803050	5 Year	£10,000	8.25%
GUARANTEED INCOME BONDS (Net)					
Liberty Life	081 440 8210	1 Year	£10,000	4.00%	Y/Y
Consolidated Life	081 940 8243	2 Year	£20,000	5.60%	Y/Y
Consolidated Life	081				

PERSPECTIVES

Minding Your Own Business

The right direction

Edinburgh Financial Publishing was a success from the word go. According to Jeremy Salvesen, its co-founder: "It is the only business I've known where one put in an amount of capital on day one and never for a single day was the bank balance less than the capital."

The company started life in 1990 as Directus. Angus MacDonald, a 26-year-old fund manager in Edinburgh, had, like others, noticed that when directors of a quoted company bought or sold its shares this often signalled it was a good time for others to follow suit.

A company in Birmingham named BRI had long provided a rudimentary service mailing brokers and fund managers with details of these transactions based on stock exchange announcements. MacDonald had the idea of providing a better, computer-based service, and took it to Salvesen, a computer expert.

"Angus used to come to me with ideas on a regular basis," says Salvesen, aged 30. "This struck me as a good one and would combine my computer skills with his as a salesman."

Directus would fax customers with full details of directors' dealings within hours of the announcement. It entailed creating a database that would enable it to put the transactions in context.

"The actual transaction is meaningless if you don't know the background," says Salvesen.

"A director may sell £10,000 worth of shares but keep £1m, or he may be selling to fund a divorce settlement. We would get details from the company and fax customers a graph showing the share price with previous directors' dealings marked in."

The two men began Directus from a large cupboard in Salvesen's office in Edinburgh. Salvesen says it did not actually need start-up capital because clients would buy a year's subscription in advance. However, to indicate their commitment, each of them put in £10,000.

While Salvesen processed the information and issued the



Colin Rogers (left) and Angus MacDonald

faxes, MacDonald, who had earlier served a short commission in the army and is described by some as a "selling machine", toured brokers, signing them up to the service, for which Directus was asking twice as much as BRI was charging.

It was an immediate success. Directus met its first year's sales target in three months

James Buxton reports on a business which succeeded from day one

and within a year had acquired BRI. In its first 10 months of trading, turnover was £137,000; a year later it had reached £437,000.

Directus began contributing a weekly summary of directors' dealings to the *Weekend FT*, and still does. And it produces weekly and monthly editions of a newsletter, *The Inside Track*, for private investors.

Colin Rogers, a stockbroker, has joined the company and Salvesen has left to buy Duncans of Scotland, a chocolate bar maker, becoming non-executive vice chairman of EFP under MacDonald.

The directors' dealings service now makes up only about 10 per cent of the turnover of Edinburgh Financial Publishing, the company's new name. Turnover reached £2.2m in the year to March and its flagship

lighted.

Some 300 subscriptions to the *Estimate Directory* were sold before the first edition went to press and it now sells more than 2,500 subscriptions a year. It competes with two online services, but MacDonald says many brokers prefer looking up the data in a book.

Soon, said Rogers, brokers were crying out for directories covering other markets. EFP decided to start with the Pacific Basin, an English-speaking area with strong market potential. It recognised that the main market for the new directory would be in the region itself.

MacDonald went to Hong Kong in late 1992 with 30 copies of the first issue of EFP's *Estimate Directory - Pacific Basin*, covering more than 1,000 companies in Hong

Kong, Singapore, Malaysia, Thailand, Australia and New Zealand.

"Within two months it had taken Hong Kong by storm," Rogers says. MacDonald recruited a salesman and started selling in Singapore, Malaysia and Thailand. He also found plentiful new publishing opportunities in the Far East. EFP (Asia) now produces a daily digest of the business press in Pacific countries, which is compiled in English at dawn each day, and faxed to brokers and investors in the area and in Europe.

The Hong Kong company recently launched a handbook of Hong Kong companies, and is working on handbooks for Singapore and Malaysia.

Meanwhile the Edinburgh operation, run by Rogers, launched *The Estimate Directory - Europe*, covering European companies, and recently opened a sales office in Paris. It now has one in New York and is working on ways of delivering its services electronically.

What strikes one about EFP is its can-do mentality and its youth: its oldest director is 33. Its sales staff work on commission and offer ingenious discounts. When it celebrated the opening of new offices in Edinburgh a few months ago virtually none of the old guard of the Scottish financial community was in evidence.

It now employs about 25 people in Edinburgh and a similar number in Hong Kong. Its Hong Kong turnover is expected to more than to double from £650,000 in 1994 to £1.3m in 1995, while its UK sales should grow from £1.5m to £2.2m.

Nevertheless, MacDonald says a stock exchange quotation for EFP is a long way off. "I'd love to run a quoted company but the only reason to do so would be to make acquisitions. We can't find anything that isn't very expensive and the stock market doesn't give small companies proper treatment."

EFP is Edinburgh Financial Publishing, 16 Randolph Crescent, Edinburgh EH3 3TT. Tel: 031-220 0458. ■ Directors' transactions, Page IV

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No. 803882 of 1994

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

IN THE MATTER OF

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and

IN THE MATTER OF

THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 10th July 1994 confirming the reduction of the share capital of the above-named Company from £1,000,000,000 to £1,000,000,000 and Minute approved by the Court as to the capital of the Company as altered by the said Order, will be registered in the Register of Companies on 8th July 1994.

Given at the 10th day of July 1994

ASHURST MORRIS CLIFF

Broadwalk House

3 Approach Street

London EC2A 2HA

Reference: SAW

Solicitors for the said Company

LEGAL NOTICES

No. 803883 of 1994

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

IN THE MATTER OF

HEMINGWAY COMMERCIAL LIMITED

and

IN THE MATTER OF

THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of

the High Court of Justice (Chancery Division)

dated 10th July 1994 confirming the reduction

of the share capital of the above-named Company

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of Companies on 8th July 1994.

Given at the 10th day of July 1994

ASHURST MORRIS CLIFF

Broadwalk House

3 Approach Street

London EC2A 2HA

Reference: SAW

Solicitors for the said Company



PERSPECTIVES

The legacy of Stauffenberg

Giles MacDonogh looks at the attempt to kill Hitler – and its lasting impact 50 years on

Count Colonel Klaus Schenk von Stauffenberg left the Berlin suburb of Wannsee at 7am on the morning of July 20 1944. His adjutant, Werner von Haefen, was waiting for him. Together they flew to Hitler's HQ, the so-called Wolfsschanze, or Wolf's Lair, at Rastenburg in East Prussia.

Count Stauffenberg was chief of staff to General Friedrich Fromm, head of the Replacement Army. In theory, Stauffenberg was flying to Rastenburg to arrange the creation of two new divisions to protect East Prussia, Germany's eastern-most province, from imminent Russian attack.

In fact, his mission was to assassinate Hitler, a plan that had been years in the making, and his briefcase contained 4lb of explosive.

At the briefing, Stauffenberg sat close to Hitler and placed his briefcase under the table. Soon after, he left the room.

He and Haefen heard the explosion as they got into their car and could see a plume of smoke rising from the bunker. By 1.15pm, Stauffenberg was Berlin-bound and convinced that the bomb had done its trick.

But Hitler was not dead: his eardrums had been pierced, his trousers shredded and his elbow badly bruised, but he had survived.

Confused reports reached Berlin. General Felgeling, the signals' chief, was able to call his fellow conspirator Colonel Kurt Hahn in nearby Mauersdorf before a communications blackout was imposed: "Something's gone wrong," he said, "the Führer's alive."

Reports that Hitler had emerged unscathed from the debris caused the conspirators to ditch in the Bendlerstrasse HQ in Berlin, from where they were supposed to issue the Walküre orders – orders which would have led to the takeover of the government and a

negotiated peace with the allies. The delay scuppered any remaining chances of success.

By the time Stauffenberg reached the Bendlerblock at about 3.30pm, Fromm had discovered from Field Marshal Keitel, who had also survived the blast, that Hitler had survived. When Stauffenberg arrived, Fromm told him the news. But Stauffenberg was adamant: "He is dead. I saw him carried out... The explosion was as if the hut had been hit by a six shell. It is hardly possible that anyone could be alive... Keitel is lying as usual." Concerned, Fromm refused to co-operate with the plotters and was arrested and taken away.

According to the Walküre orders, the administrative centre of Berlin was to be sealed off by the guards battalion and

Renner in charge of operations against the conspirators and promoted him on the spot. Later Renner would repay his trust by founding one of Germany's first post-war neo-Nazi parties.

Renner's men stormed the Bendlerblock, in the fray Stauffenberg was shot twice and wounded. It was Fromm, released from captivity, who arrested the ring-leaders. At 12.30am the conspirators were taken to the courtyard to be shot. As Stauffenberg passed a familiar secretary he said: "They all left me in the lurch." As he was led before the firing squad, the faithful Haefen tried to throw himself at Stauffenberg and the bullets.

"Long live our sacred Germany," shouted Stauffenberg. Then he collapsed and died. The assassination attempt

great act of spite, a final attempt to prevent Germany's post-war reconstruction. The SS was still murdering prisoners as the Russians entered Berlin.

Officially, little mention was made of the plot before the creation of the two German republics in 1949. The first time it was celebrated was in 1953, just a month after an abortive uprising in the Russian zone of June 17. The few east Berliners who fled to the west were encamped in the courtyard of the Bendlerblock, and it was there that the mayor, Ernst Reuter, chose to remind them of the martyrs of that earlier revolt against dictatorship.

Since the mid-1950s the July plot has been marked by a ceremony at Plötzensee prison in Berlin, where many of the men of July 20 met their deaths.

the church, and then only as part of a general plaque commemorating the dead of the second world war. There were still a few Germans who saw the plotters as traitors.

There was also a natural tendency to see the leaders of the coup as a last flowering of another Germany, no longer relevant to either of the two states created after the war. The romantic history focused on the aristocratic officers rather than the civilians of the plot.

The Grundgesetz of 1949 was to reaffirm the Weimar constitution's Article I which abolished noble titles. The new Bundeswehr was also established with the expressed desire to rid the armed forces of all connection with the Prussian military tradition. Prussia itself, which had supplied much of the core of the resistance, was rudely rubbed off of the map in February 1947, its eastern provinces being parcelled out among the Russians and the Poles.

It can be safely said that Stauffenberg's "sacred Germany" bore little or no resemblance to either the Federal Republic or the Democratic Republic.

But the plot still counts for something in Bonn and appears to be a useful entry on a *curriculum vitae*. President Richard von Weizsäcker, for example, doubtless derived credibility from his father Ernst. While he was at the helm of the foreign office, it was barely tainted with Nazism, and many of his protégés went on to become ambassadors after the war.

For von Trott's widow, also named Clarita, July 20 is more important than ever now that the two halves of Germany have been united. With the increase in racial violence she feels that the young need role models who will teach them how to react to blatant injustice.

But perhaps the real proof that German politicians still

The plot still counts for something in Bonn and appears to be a useful entry on a curriculum vitae

troops from the training schools on the edge of the city.

Outside the Bendlerblock, other conspirators, including the young Rhodes scholar, Adam von Trott zu Solz of the foreign office in the Wilhelmstrasse, realised the attempt had taken place when they saw Berlin's centre closed off by

He watched the street anxiously from the window. To his relief the traffic ceased and soldiers appeared. But three hours later, they shouldered arms and marched off.

Hans Bernd von Haefen, brother of Stauffenberg's adjutant, was not slow to draw the obvious conclusion that the Nazi forces had regained control. He turned "as white as a sheet."

The Nazis survived thanks to Joseph Goebbels and Major Ernst Renné of the guards battalion. Goebbels convinced Renné to speak to Hitler on the telephone. Hitler put

July 20 1944 was the fruit of plans laid in the autumn of 1938. Colonel General Ludwig Beck had resigned as chief of the general staff in protest at Hitler's plans to invade Czechoslovakia. His civilian counterpart was Carl Goerdeler, the indefatigable former mayor of Leipzig.

In the intervening years the conspiracy brought together a powerful cadre of anti-Nazis – noblemen, officers, churchmen, trades unions, socialist politicians, diplomats and civil servants. Goerdeler busted himself with the structure of the future government and drew up detailed lists of its potential members.

These lists were to be the downfall of many. Of the 5,000 or so people executed after July 20, only about 200 were actually implicated in the plot. The rest were simply prominent opponents of the regime: the core of a future Germany. The purge was to be one last

It was the mid-1980s before von Trott's name appeared in

But despite the hundreds of books which have been published on the subject, little is made of it in schools.

Clarita Müller-Plantenberg, only a few months old when von Trott, her father was executed at Plötzensee, recalls that the girls at school treated her differently. Many had lost fathers in the war, but they knew that she was special: "They thought I must be Jewish and stayed off the subject." Later she remembers a teacher blushing to admit that he approved of the men of July 20 and what they stood for.

In a number of cases there was a reluctance to honour the dead of July 20 in their home-towns and villages. Von Trott's brothers erected an impressive cross in the woods above the family manor house at Imshausen, but in the village church the verger resisted the idea of a monument.

It was the mid-1980s before von Trott's name appeared in



Stauffenberg (right): his 'sacred Germany' bore little resemblance to what followed the war

Bundesarchiv

feel the need to show themselves the heirs to Stauffenberg, Beck or Goerdeler, provided by Helmut Kohl, the German chancellor himself. On July 20 of this election year he decided that he alone would enjoy the right to address the faithful at Plötzensee Prison.

■ Giles MacDonogh's *Prussia*.

The *Perversion of an Idea*, was published this week by Sinclair-Stevenson (£20). There is a paperback edition of his book, *A Good German*. Adam von Trott zu Solz, from *Quartet* (£10.99).

Survivor waits to be made welcome

Maurice Samuelson talks to an anti-Nazi conspirator who has been fighting for justice for 40 years



Dr Otto John in 1980: today he is an 'unperson'

Nazism and Communist subversion.

On July 20 1954, the 10th anniversary of the anti-Hitler plot, John attended the commemoration of the plot in Berlin. Later that day he disappeared and turned up in the Soviet sector of the city, where he criticised trends in West Germany, including the lingering influence of the Nazis.

He has claimed ever since that he was drugged and kidnapped as part of a Soviet operation to destabilise the west and that his remarks were made under duress. He also insisted that he had betrayed no state secrets.

That was his plea when, 18 months later, he escaped back to the west. He was tried for treason and sentenced to four years hard labour, double the term demanded by the prosecuting counsel at the high court in Karlsruhe.

For 40 years, John has maintained his innocence and claimed his treatment by the

court was influenced by a desire to punish him for his role in the anti-Hitler underground and by the fact that while others were executed after the failure of the plot, he had survived to continue the fight against Hitler.

General Reinhard Gehlen, former Nazi and head of the Federal Republic's counter-intelligence network set up after the war by the Americans, said of John's apparent defection to east Berlin: "Once a traitor, always a traitor."

After his release from prison, his reputation in tatters, John set out to clear his name. As far as public opinion is concerned, he largely succeeded.

Leading politicians, such as the late Defence Minister Franz-Josef Strauss, and Dr Gerhard Schroeder, a former interior and foreign minister, accepted that John was a victim, rather than a collaborator of the Soviets, and that he had not betrayed his country.

But three times, John failed to overturn the judgment of the Karlsruhe court. He vowed that until he succeeded he would never again attend a commemorative meeting for the heroes of the July 20 conspiracy.

In Moscow last year, however, John met two of the former KGB officers who had interrogated him in Berlin and Moscow immediately after his disappearance.

They have since made sworn affidavits at the German embassy in Moscow indicating he was not a defector but that he had been abducted by agents of the KGB as part of the cold war.

Two weeks ago, a lawyer acting on John's behalf incorporated their statements in a new application to have the case reopened.

If the court agrees, there is a chance that John's reputation will at last be vindicated and he will no longer feel an outsider in his own country.

I hope that the new generation of German judges will be different from the ones who first sentenced me," he said on the telephone this week.

Meanwhile, there is no controversy about his role in the events of July 20 1944 and in the struggle leading to Hitler's final overthrow.

A few hours after the bomb went off in Hitler's field headquarters at Rastenburg on the morning of July 20, John was personally briefed by the man who had laid it near Hitler's

feet – Count Colonel Klaus Schenk von Stauffenberg.

John had been in touch with leading anti-Nazis since 1937. His friends included Klaus and Dietrich Bonhoeffer, two of the leading martyrs of the German resistance.

From 1942, John had used his position as legal adviser to Luftwaffe, the German airline, to act as the German resistance's liaison with British intelligence. The MI6 officer who evaluated it in London was Graham Greene, according to the new biography published this week, *Graham Greene, The Man Within*, by Michael Shelden, Heinemann.

Immediately after the events of July 20 1944, John escaped first to Spain and then, via Lisbon, to Britain, where he aided the BBC's anti-Nazi propaganda, interrogated high-ranking German prisoners of war and, later, assisted the prosecutors at Nuremberg.

However, in an ominous forecast of John's later mal-treatment by the Soviets, his entry to Britain was resisted by Soviet master-spy Kim Philby, who was Graham Greene's boss in MI6's Iberian Department. Stalin suspected that any contacts between Britain and the anti-Hitler resistance could lead to a separate peace between Germany and the west. During his 18 months of captivity in the Soviet Union he was repeatedly questioned about the possibility of such a deal.

John's main new Moscow witness, regarding the events of 1954, is ex-KGB General Eugen Panyushkin who, John says, interrogated him in Berlin and Moscow. At that time, Panyushkin used the cover name "Chernov".

But he is not sure that his appeal, if held, will succeed, and because of his age he would probably be dead by the time that happened. "I have had many disappointments over the years," he said.

Today, John's strongest supporter, and closest friend, is 86-year-old Prince Louis Ferdinand, head of the Prussian former royal family. If the court allows his new appeal, John is expected to stay at the prince's home in Berlin during the court hearings.

When the dust has settled and the hippies have fallen back to earth, the hippies return to find the same bars blaring out the same old Rolling Stones records, the shops selling the same Kashmiri carpets – possibly silk, possibly not.

Those who linger in Pushkar perhaps know it is not the "real India" – no single place could encapsulate the something sub-continent – but this desert oasis is closer to their dreams of India than the heaving, polluted cities that surround it.

And everyone is a winner in such a glittering collision of cultures. The grinning Indians provide colour and chicanery, blessings and badly-made clothes. In return, the west sends its great unwashed – gaunt youths with tattooed and matted hair who exchange hard currencies for a piece of ported mysticism and cheap, worthless bangles and beads.

At the Palace Hotel, a former home of the Maharaja of Kishangarh and now, at 75 a night, the most expensive place to stay in Pushkar, guests were taking their positions for cocktail hour. We sat on the lawn in wicker chairs to watch the sun dip behind far-away hills turning the sky pink and gold. Expert advice was offered as to the exact moment to take photographs ("Now man! This is it, perfect, take the thing"). The sound of temple bells drifted on the evening breeze and, in the parched section of the lake, schoolboys played cricket with a home-made bat.

Later I returned to Sanjay's Roof-top Restaurant. The same tape was playing. "Hare Krishna, Hare Krishna, Krishna Krishna, Hare Hare." Only this time the shrill, insistent tones seemed strangely soothing. I ordered a banana milkshake.

Dispatches/Pushkar, India

Hare Krishna and banana shakes

Mark Hodson hangs out in a hippy-filled corner of Rajasthan



Pushkar: a holy place where meat, alcohol and even eggs are banned

Mark Hodson

A teenage girl with wide eyes and pierced nose was being led by one arm down to the holy lake. A bearded *sadhu* with a bare chest pressed flowers, sweets and a few grains of rice into her hand. "This is the ancient *pooja* ceremony," he said, thumbing a red dot on her forehead.

"It's so cool," said the girl, who was called Caroline and was spending a year in India before her first term at Oxford.

"Repeat after me," said the holy man. "I pray for health, happiness and success... and I make a donation of 100 rupees."

Caroline woke briefly from the spell. "100? How about 50?" The man suggested. "60. That's cool," she replied, with a wide smile.

Pushkar is a small, pretty town built around an oasis on the edge of a desert in Rajasthan. According to Hindu legend the god Brahma dropped a lotus flower there and a lake sprang up at the spot. For more than 3,000 years, devotees have travelled from across India to worship at some of its 400 temples. Around 90 per cent of Pushkar's 11,000-strong population is connected with the priesthood: the other 10 per cent appear to work in the tourist trade. Some people, like Caroline's friend, dabble in both.

Pushkar's tranquillity, idyllic setting and air of authentic spirituality have made it a popular pit-stop on the Indian tourist circuit. Many visitors find it an antidote to the chaos of the big cities and stay for weeks at cheap backstreet guest houses. As a result, unsuspecting Pushkar has become a hippy hangout.

Along the narrow main street, dodging cows and bicycles and holy men and beggar-women, strolls

Europe's drop-outs in tie-dye trousers and embroidered waistcoats. Following them from shop doorways come familiar whispers: "Hello friend, good hash, change money, buy something."

Because Pushkar is a holy place, alcohol, meat and even eggs are banned, and signs warn foreigners against kissing in the public. Yet almost anything else seems possible: you can get a shave and a massage, five languages, buy incense, rum and chocolate biscuits, drink milk-shakes and eat Chinese and swap your copy of *Midnight's Children* for a dog-eared *City of Joy* or *Zen and the Art of Motorcycle Maintenance*. One shop from promised: "Ear and Nose Hole Possible Here."

At 8am it was still dark as dozens of temple bells rang to summon the faithful to icy dips in the lake. Pilgrims, shivering and fully-clothed, bathed at the white-washed *ghats* lining the shore.

At the top of a steep hill overlooking the town there is a 2,000-year-old temple where a sad-looking priest swathed in saffron gave me a cup of steaming tea as we watched the sunrise together. Through my telephoto lens he studied the squat buildings below, clustered around the tiny square of water. Then he asked how much the camera cost

SPORT AND MOTORING

Tennis / John Barrett

Left with the legend of Borotra and Hoad

It is one of life's hard lessons that nothing is for ever. In the past two weeks the lesson has been particularly hard to bear with the passing of two tennis legends who were both old friends.

On the day when the 22-year-old American Pete Sampras was adding to his fame in this year's Wimbledon final, Lew Hoad, the great Australian champion of the mid-1950s, died aged 59 near his home in southern Spain following a short illness.

Like Sampras, Hoad had successfully retained his Wimbledon title in 1957, the first post-war champion to do so. Since that day only Rod Laver, Roy Emerson, John Newcombe, Bjorn Borg, John McEnroe, Boris Becker - and now Sampras - have achieved the feat.

Last Sunday, 450 of us, all friends of Lew, gathered with his wife Jenny, son Peter, and two daughters, Jane and Sally, to celebrate his life on the lawns of their Campo de Tenis in Fuengirola. Later that day, we heard that just across the French border, near Domaine de Pouy, his original home near Biarritz, Jean Borotra, the Bounding Basque of French tennis in the 1920s, had died, aged 95.

These last few days, the camera shutter of memory has clicked constantly. There are vivid pictures of both men.

Hoad smiting that mighty backhand to destroy Ashley Cooper 6-2 6-3 in the 1957 Wimbledon final, one of the shortest on record.

■ Borotra, aged 51, leaping like a gazelle for a backhand volley on the old East Court at Queen's Club in 1949 to beat 27-year-old Geoff Pash for his 11th British covered court title.

■ Hoad lifting an inebriated Roger Becker to his feet at the New Fitz Club in Bournemouth during the hard court championships of 1957 and carrying him out to his car with one strong arm.

■ Borotra arriving late for a lunch of the International Club of Great Britain and going around the room kissing the hand of every woman present.

Each man had that elusive quality, charisma, and each contributed greatly to the evolution of the game. Borotra, without much of a serve, showed what could be accomplished as a vollyer if you had fast enough feet, hands and reflexes - all qualities he had developed as a pelota player in his youth.

He was also a master of match-play psychology - perhaps even the inspiration for Steփen Potter's marvellous works on *Gamesmanship* and *Lifemanship*. He would make a great show of donning the beret to rouse the crowd and would delight them by leaping into the lap of a pretty girl in the front row.

He was always chivalrous and would applaud an opponent's good shots. At a change of ends Jean might say: "... well done! You are hitting your service so beautifully today - I've never seen you hit it better." You would spend the next five minutes wondering what made the shot special and, "bey presto, you had lost your serve."

He had tremendous energy

and enthusiasm. In the 1960s, when I was managing a British team at the French championships, Jean persuaded me to partner him in the doubles. He was well into his 60s and insisted that we limber up in the Bois de Boulogne prior to combat. Mercifully, we lost our first match and I was spared further torture.

Jean was also a great patriot



Helen Dostalek

for whom the six years of French Davis Cup dominance, from 1927 to 1933, with his fellow Musketeers, Henri Cochet, René Lacoste and Jacques "Toto" Brugnon, represented all that is best in sport.

The comradeship of those days - all for one, one for all - never died. All four were dedicated to the ideals of the International Club of France, established in 1929, following the founding of the British Club five years earlier. Wallis Myers, a former international player who was then tennis correspondent of the Daily Telegraph.

The two clubs have met twice a year since 1929 and Jean's incredible record of playing in every one of them until last November - 116 in

all - is surely unique.

Borotra inspired successive generations of French players and was there at the Davis Cup final in Lyon three years ago to see Yannick Noah's team of Guy Forget and Henri Leconte score their famous victory over the US, led by Andre Agassi and Pete Sampras. He shed tears of joy at the end.

Hoad, the forerunner of today's power players, had a tremendous physical presence on court that would often intimidate opponents, although he was actually a very shy man.

With the blond good looks of a Robert Mitchum, Hoad was also immensely strong thanks to a training regimen that was unusually advanced for that era.

With a powerful forearm and wrist he could hit the ball hard and early only because he possessed a strong stroke production plus a natural ability to time the ball perfectly - essential qualities for success with a wooden racket that was 25in long, 1in shorter than the conventional frame. One shudders to think what devastation Hoad would have caused using a graphite frame.

Hoad's first great performance came in the 1953 challenge round of the Davis Cup against the US, played in Melbourne. Harry Hopman, the Australian captain, decided to blood the "twins" Hoad and Ken Rosewall, who were both 19. The

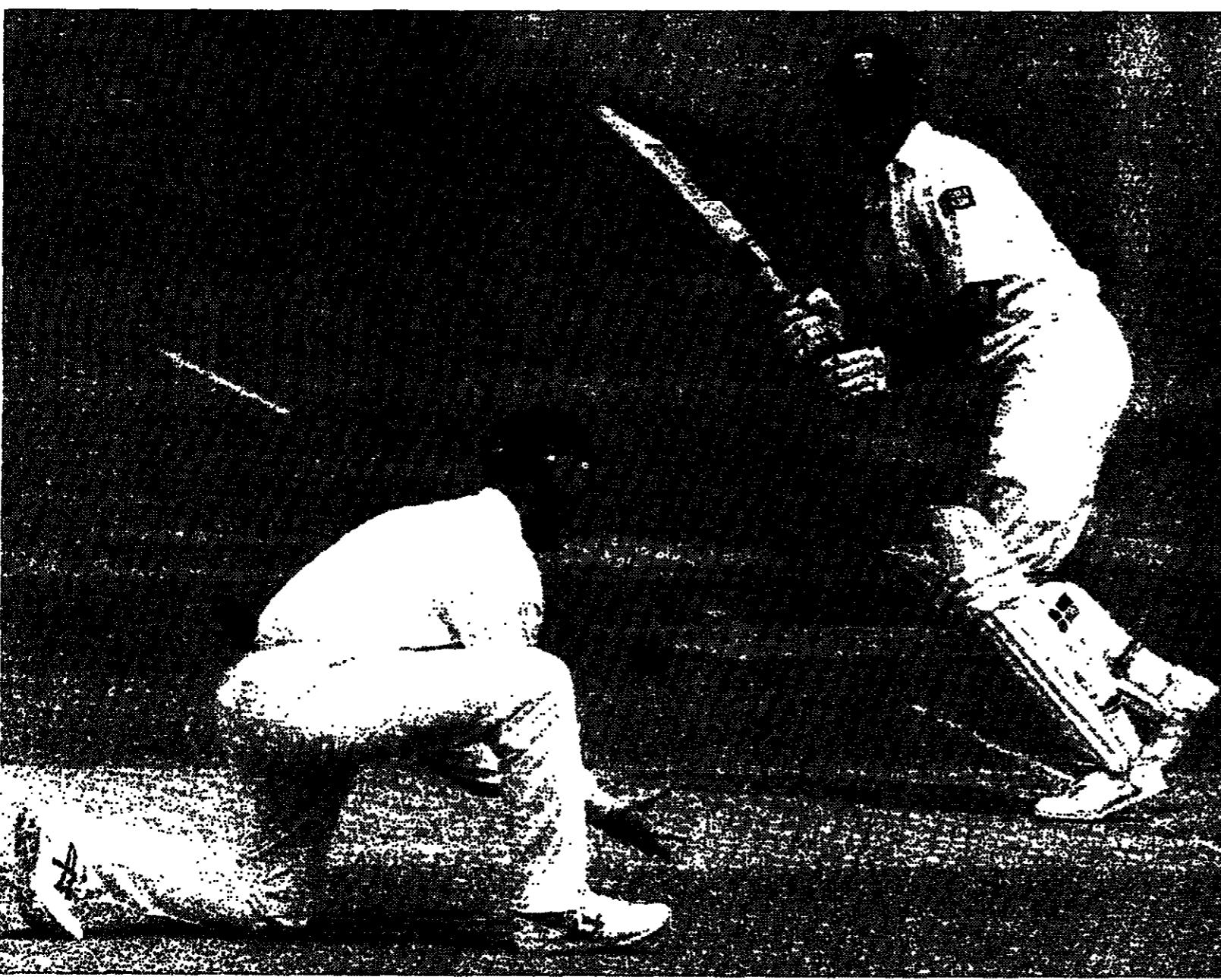
key to success lay in finding a way to beat the top American, Tony Trabert.

On the opening day Trabert beat Rosewall and Hoad beat Vic Seixas. The Americans also took the doubles, so the fourth rubber, Hoad vs Trabert, would probably decide the tie. In a magnificent match, played in intermittent drizzle and with both men wearing spikes, Hoad won 7-5 in the fifth set. The next day Rosewall duly beat Seixas and the cup remained in Australia.

Playing Hoad was an instructive experience. I had lost to him in the third round at Wimbledon that year and remember wondering why I was so slow. When you went to the net, the ball seemed to come at you just that bit faster than expected. Consequently, you were late on the volley. At the baseline the ball would bounce so close to the line that you always felt rushed.

Three years later, Hoad made everyone look slow as he beat his old friend Rosewall to win the first of his two Wimbledon titles. Already the winner in Australia and France in 1955, Hoad needed to win the US title to achieve the grand slam, a feat accomplished only once before, by Don Budge in 1938. By a twist of fate it was Rosewall who beat him in the US final.

Champions come and go but it will be a long time before we see two such great ones again.



England's John Crawley fumbles a catch as South African batsman David Richardson looks on at Lord's yesterday

Cricket / Simon Hughes

Lord's be praised

For once at a Lord's Test, the focus is on the cricket rather than the salmon en croute. South Africa are playing there for the first time in a generation and thousands of pairs of eyes have been locked on the drama unfolding on the field.

Sometimes, people forget that Lord's is more than five acres of manicured turf and a sloping pitch that baffles inexperienced bowlers. It is also a living, working monument to cricket.

I am not referring to the Jingdezhen punch bowl circa 1786 exhibited in the pavilion - a unique piece of Chinese porcelain - or to the oil paintings, the miniature urn containing the original Ashes or the stuffed sparrow which was struck by a delivery one day in July 1958. (Both the sparrow and the ball were pronounced dead.) The pavilion is just one facet of a great ground.

But there are other nooks and crannies from where you can actually see something alive and kicking. Take the new Mound Stand, for instance. At the top is the debenture area where the wealthy and privileged enjoy

louder on the precipitous stairs. "Do they still have sixes in cricket?" asks a man with a fat cigar who looks about to keel over.

Most people are in blazers and slacks but down below, in the public seating, there are panamas and large men with bare torsos ignoring the advice from the public address that in this heat, sunburn occurs in 35 minutes. They will have paid £38 for a seat, something of a hike from the equivalent of 75p it would have cost a spectator at the last time South Africa were at Lord's.

The upper reaches of the Mound Stand are presided over by Eric, a jovial Jamaican, who has staved off the ground since 1957. He issues passes and greets regulars with a broad grin. He is the antithesis of the dreaded Lord's gate-men VIPs and hangers-on are ferried between levels by a small lift manned by an elderly attendant who has not seen a ball bowled all day.

Directly opposite, across the field, is the Grand Stand, crowned by Old Father Time, the weather-vane. Because of the prevailing wind, Father Time usually has his back to the cricket. Beneath are the scorers in their cluttered perch, putting dots in books - quite a lot while Kepler Wessels was batting - or fiddling with computers. A woman sits in the corner programming the electronic scoreboard.

At ground level, with barely a glimpse of the cricket, Vince and Charlie hand-set the old Heidelberg printing press because there is an urgent demand for more score-cards: "We've sold 9,000 already today," Vince says proudly. The room has a curious aroma of inky mustiness and is a museum in its own right, with score-cards dating back to the 1924 South African Test, old signed bats and letters from Harold Larwood. Thursday's card was updated at the close of play, and later a queue developed for souvenirs.

Meanwhile, Wessels, the South African captain, was chiselling runs in his awkward, crabby way, oblivious to the masses desperate for excitement. MCC members removed their jackets and loosened their ties and the deep purpleness of their faces seemed ever so slightly to subside.

When the lunchers returned to their seats at about 4pm, the score had hardly changed. "Bit slow," people muttered, "but it's understandable, it's their first match back."

Which is not quite true, of course. This Test is actually the South Africans' 15th since re-admission to world cricket 2½ years ago, and they have become a tough, resilient unit, if not a devastating one.

Their cricket has been full of great commitment and passion, with just one ironic twist. The South African team is still all-white; their most talented black player, Jacob Mulu, a Sowetan left-arm spinner, seconded to the MCC this summer, was in a small booth selling score-cards.

Motoring

Promise unfulfilled

When Audi unveiled the first Quattro at the Geneva Show in 1980, it seemed that all high-performance cars of the future would have full-time four-wheel drive. Having tried it, I certainly thought so.

The ease with which this potent turbocharged coupé could be driven quickly and safely on surfaces ranging from dry tarmac to loose gravel and frozen slush was a new experience.

That was in 1980. Actually, the Quattro was not the first 4x4 road car of its kind. Jensen had beaten Audi to it by some years with the FF model. But Jensen made only a small number of FFs and, sadly, I never got my hands on one. The Quattro started a trend that other volume makers followed.

MOTORS

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Four-wheel drive has since swept the world of rallying but not of normal motoring. For road cars, it is a story of promise unfulfilled. Audi still offers the quattro with all-wheel drive transmission on its complete range. There have been - in some cases there still are - all-wheel driven versions of cars such as the Ford Scorpio and BMW 5-Series, Porsche 911 and Peugeot 405.

They are, however, a minority choice. And most of the really high-performance cars - Ferraris, Aston-Martins, BMW 8-Series, Mercedes SL and so on - are rear-wheel driven. Motorists associate four-wheel drive road-going vehicles mainly with keeping going in snow. Very good they are at it, too. (Paradoxically, 4x4 on/off roaders are much less popular in Lapland, where winter lasts for six months, than in England's lifestyle-conscious home counties. Northern Scandinavians rely on spiked snow tyres and, to a growing extent, traction control.)

By matching power output to tyre grip a traction control system (TCS) curbs wheelspin on slippery surfaces. Cars fitted with it are unfazed by snowy hills. Just as significantly, they do not become unruly if acci-

erated savagely, or cornered imprudently fast, on wet roads.

TCS is now standard on some cars with an abundance of power (such as the latest turbocharged Rover 600i and Vitesse Sport) and offered by manufacturers as an option on others. They have been persuaded that it gives many of the benefits of permanently engaged four-wheel drive without the extra weight, complica-

tion and cost.

Subaru begs to differ. It is wedded to four-wheel drive. Apart from a recently introduced front-wheel driven entry model Impreza family saloon and hatchback, it has sold nothing but four-wheel drive cars for years. Currently they range from the tiny Vivio (27,047), supermini-sized Justy (from £11,495), Impreza 4WD (from £12,849) and Legacy (£13,995 upwards) to the stunning SVX, at £30,849 perhaps the most pleasurable

high-performance coupé I have driven.

When Subarus were first sold in Britain more than 20 years ago they had a simple kind of selectable four-wheel drive. Normally, the power went to the front wheels. When you felt the need for extra traction, you switched it through to the rear wheels as well.

These early Subarus had high and low ranges of gears in four-wheel drive and were astonishingly capable off-road. Just how good I discovered on a military vehicle testing ground. Over terrain many owners of full-blooded on/off road 4x4s would not dream of venturing on the Subaru just kept going, climbing 1-in-3 slopes, sliding its well-protected underside over high humps and plunging through wellie-deep water.

Of course, knowing that a monster cross-country vehicle is ready to pull you out should you get stuck makes one feel very brave. I would not have gone where I did if my only recovery equipment had been a shovel. But country people who really have to drive across their own muddy fields and pull sheep trailers up steep hills know Subarus are very hard workers. Yet they behave

like normal cars on proper roads.

The latest Subaru to come my way was the 208 horsepower Impreza Turbo 2000 4WD. In common with all Subarus, apart from the Vivio microcar, it has an engine with horizontally-opposed cylinders - the kind Germans call a boxer. Like its Ford counter-

part, the Escort RS Cosworth, it is based on a rally car but has been civilised for road use.

It has far more performance than could possibly be exploited on the highway: a top speed of 142mph/229kph and £17,995 for the 4-door saloon, and £17,995 for the 5-door hatchback. Its insurance group is 17 compared with an Escort Cosworth's 20 and it comes with a three-year/60,000 mile

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TRAVEL

First stop, Santiago. Destination, heaven

Nicholas Woodsworth embraces the icon of St James of Compostela after following a trail worn by the faithful for centuries

East from the gates and church towers of Carrion de los Condes, the N-120 runs arrow-straight over the red-soiled, table-top-flat plain of Spanish Castle. It is a quiet road these days; often there is not a car, a house, a person or any sign of life to be seen, even to the less horizon. It is a road built for speed.

Without my noticing it, my speedometer crept well over the limit. And still I felt it was crawling. Where was Santiago? I was feeling impatient, tired and, in spite of my destination, profane. I had been driving for two days from Arles in southern France, and was still 350km short of my goal. I had wanted to arrive before dark.

As a result, they went by in a flash. I hardly noticed them until they were in my rear-view mirror - two middle-aged men in walking boots, trudging along the roadside with packs on their backs and sticks in their hands. In seconds they were faint dots of colour picked out by the evening sun; then they were nothing.

But they stayed in my mind. Like me, these men were on their way to Santiago de Compostela.

Unlike me, they were pilgrims, and they were walking. For them this was not just the N-120. This was the old route of the *Camino de Santiago*, the way of Saint James - for millions in the Middle Ages the most important and challenging pilgrimage trail in Europe.

It is still trodden by the faithful today. Had I walked from Arles - one of the four main points of pilgrimage departure since the 12th century - the trip would have taken me eight weeks.

How far had those two middle-aged men come? Where would they spend the night? I did not know. But suddenly haste seemed less important. I slowed down and, many hours later than I expected, drove into the holy city at a contemplative doodle.

I headed where pilgrims have headed for more than 500 years - the *Hostal de Los Reyes Católicos*. It is, say some, the oldest hotel in the world, having been built as a pilgrimage hotel by the Roman Catholic monarchs Ferdinand and Isabella in that momentous year, 1492.

However, I doubt if it was as comfortable then as it is now. It has kept all its renaissance elegance, a rich facade, and four dignified interior cloisters with fountains, gargoyles, stone pillars and arches. There is still a Gothic chapel and, overlooking it, a Sala de Agonía.

The sound of legend

Untamed for 3,000 miles, the Atlantic ocean crashes in through the mouth of Uiamh Binn, the musical cave. Foaming cascades surge over black prismatic columns of basalt. We cling to the rocks under 10,000 gleaming black polygons of the cavern roof. No one speaks. We frail humans are mesmerised by the awful power of raw nature, and gaze down at the relentless ebb and flow, silent witnesses to the geographical copulation of sea and rock.

In 1772 Sir Joseph Banks, the naturalist who sailed with Captain Cook, was on his way to Iceland. Storms forced him to seek shelter off the west coast of Scotland; once the weather had cleared, locals urged him to visit the musical cave. Thus was the tiny isle of Staffa put on the map.

Subsequent illustrious visitors were equally impressed. "It surpasses the finest cathedral," wrote John Keats of Fingal's Cave, a 220-ft long cavern named after Finn McCool, the legend also credited with the construction of the Giant's Causeway in Ireland.

Felix Mendelssohn, although suffering from toothache and seasickness, was enchanted: "Like the interior of a gigantic organ for the winds and tumultuous waves to play on." On the spot he scribbled 20 bars of music which became the theme of his *Hebridean Overture*.

Six miles south, past the Treshnish Isles and the famous silhouette of the Dutchman's Cap, lies Iona. Columba and his 12 disciples arrived at the "Cradle of Christianity" from Ireland in 563 AD and built a monastery. Vikings vandalised it over the next 400 years. In 1230 Benedictine monks built a new one, which was torched during the Reformation. The present abbey is mainly 16th century, with later additions.

The oldest building on Iona is St Oran's Chapel. Columba received a message from heaven telling him a human sacrifice must be buried under the new chapel. His disciple

zadas - a room where the sick and dying attended masses from their beds.

Today, Los Reyes Católicos is a *parador*. The pilgrims' cells have been converted into rooms and suites and the chapel given over to art exhibitions and musical concerts. The Sala de Agonizadas, due to its perfect acoustics, became for many years the favourite recital room for classical guitarist André Segovia.

I slept in the hotel like a coddled king. The place still serves a charitable purpose, though anyone presenting a *compostela*, a sort of pilgrim's passport showing stamping and authentication of the pilgrim route followed - is entitled to dine here free of charge.

Had I been a pilgrim, I think, I would have been just as happy to get in from the wet weather as I would to eat. The rain in Spain is not on the plain at all, but in the Galician hills surrounding Santiago. So wet is this north-west Atlantic coast that the city's brief but repetitive showers have gained the title of the "urinal of Spain".

So, first things first: off I rushed in the pelting rain and met Luis Sanchez Rivas, who owns a small, old-fashioned shop, a *paracuaria* devoted exclusively to the sale of umbrellas. A precise, elderly man, he is in the same business as his father and grandfather before him.

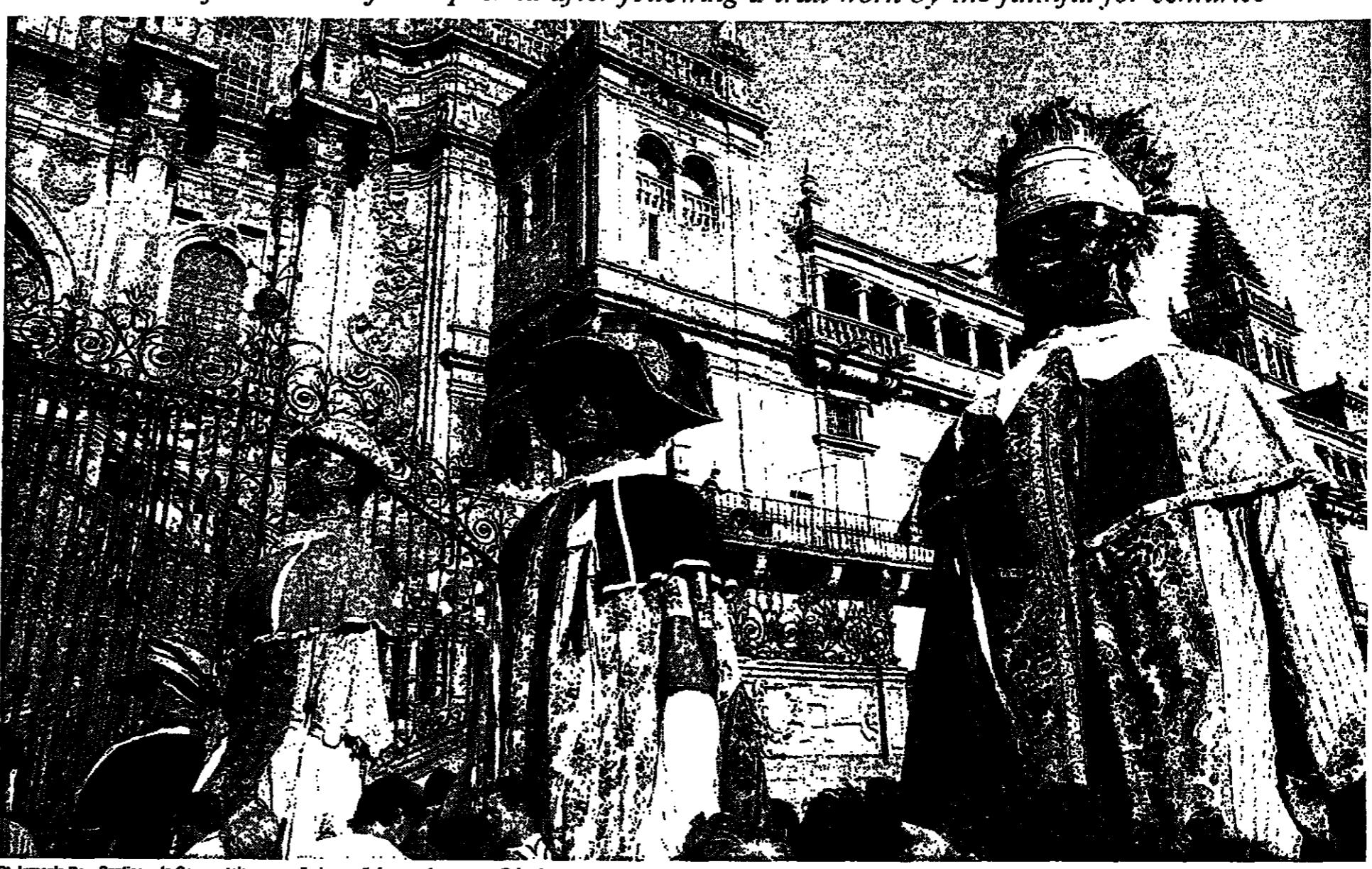
"Sixty years ago it rained here a lot more," he said as I reviewed a long row of solemn black umbrellas standing furled in glass-fronted cases. "It hardly rains here at all now."

I looked doubtfully from the window into a street streaming with water. We were practically shouting at each other to be heard over the rain. Finally, I made the choice of a nifty collapsible number and stopped Señor Sanchez from wrapping it.

"In any case," he said, handing the umbrella over, "we like our rain here. You'll find it suits the city and its mood better than any other weather. There is nothing finer than walking through Santiago in a good Galician shower."

He was absolutely right. Santiago, for all its medieval magnificence - the entire old city has been declared a national monument - is a solemn and austere place of silvery rain, shifting, moody clouds and glistening grey stone.

Despite the crowds of students and the gaggles of tourists, there is something grave and solemn about the great



St James's Day, Santiago de Compostela: some pilgrims walk from far as far away as Poland

granite blocks from which the whole city is built; about the slow, heavy, dull ringing of the cathedral bells; about the seminaries, monasteries, archbishops' palaces, convents, chapels, cloisters and crypts that sit solidly and imperturbably at every turn in the street.

This is a monochrome city, unaccepting of colour and the vanity of individualism. It is single-minded in construction and uniform in purpose - the submission of human achievement before a greater glory.

I strolled the city for hours, wandering under stone arcades, stumbling across hidden plazas, admiring the clean Romanesque lines of its buildings. I marvelled to think of this sophisticated place built so long ago in a rainy and wild region so remote from the rest of Europe. What made Santiago such a magnet that in the

12th century, at a time when people rarely ventured far from home, the city was attracting over 500,000 pilgrims a year? Only faith could have done it.

The legend of Saint James's burial in Spain seems to have very little basis, but that hardly seems to matter. What does matter is that for centuries millions have believed that a pilgrimage here virtually assured their passage to heaven.

Due to the great power of Saint James, simply arriving here - not to mention the indulgences and remissions that could be picked up along the way - guaranteed a halving of time spent in purgatory. This was worth the considerable risks and hardships of the journey.

And what about these days?

"It is as tough a walk now as it was eight centuries ago."

Canon Jaime Garcia Rodriguez told me when I dropped into the pilgrims' welcome centre. In 23 years of work in Santiago, the canon has met tens of thousands of pilgrims, some walking from as far away as Poland. Last year, a special year because the saint's day fell on a Sunday, more than 99,000 pilgrims received *compostelas*.

And where does the pilgrim trail lead? I attended a pil-

grims' mass at Santiago cathedral, and began to understand some of the reverence that has made James the patron saint of Spain, and has made Santiago, along with Rome and Jerusalem, one of the three holy cities of Christendom.

Santiago's cathedral is huge, ornate, complex and riotously embellished. Inside, behind a facade decorated with some of the finest Romanesque sculpture in the world, is an altar

even more lavish in style. At the heart of a fantasy of silver and gilt, cherubs and massive hanging chandeliers, is the silver and jewel-studded image of Saint James.

It is an icon up to which every visitor climbs in order to bestow an embrace. Not a regular church-goer myself, I did the same, and thought of the two pilgrims still slogging, tired but expectant, along an

arrow-straight roadside somewhere in Castle.

■ *Nicholas Woodsworth's trip to Santiago was arranged by Mundi Color, a company specialising in tailor-made Spanish travel: 276 Vauxhall Bridge Road, London, SW1V 1BE. Tel: 071-522 6021.*

Information about Santiago can be obtained from the Spanish Tourist Office, 57 St James's Street, SW1A 1LD. Tel: 071-600 0901.

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FASHION / HOW TO SPEND IT

A close-up shot of the catwalk couture

Avril Groom examines the detail of the top designers' creations

Works of art have rarely attracted as much hype as the clothes in some of this week's haute couture shows in Paris.

The celebrities with their entourages (Prince and Sylvester Stallone at Versace, Joan Collins at Chanel and Valentino, Shakira Caine everywhere), the gangs of heavies, the strange cult of supermodels who become global personalities purely on the strength of their visual image – all this creates an ambience more appropriate to the world of showbusiness than to fashion.

It goes with the well-worn jibes about the unnecessary profligacy of couture – how it is expensive beyond the dreams of avarice, how it is worn by a mere handful of women and how it only exists for publicity value.

This view does the clothes themselves no favours and neither does seeing them on a remote catwalk. Only by examining them, getting as close to them as the women who buy them, and by inhaling the atmosphere of a designer's studio in the hectic weeks before

Versace's high-glamour black silk evening dress with minuscule bodice.
■ Detail: "scales" made of metal rings threaded on to hand-turned black ribbon

a show does the logic behind this apparently outrageous industry start to make sense.

I would have to quarrel with Coco Chanel's assertion that haute couture is "a technique, a job, a commercial undertaking".

The clothes themselves may be merely examples of high craft but the effort of creation and co-ordination which a designer makes must give him a claim to artistry equal to that of a conductor or composer.

Dior or Givenchy have the purest outline of a suit or shoulder-line, Balmain and Ungaro manage the most delicate conjunction of lace and chiffon, while Versace, Lacroix and Chanel have the cut of the moment, one that makes the most of female curves.

The couturier's art lies in flattering and glamorising the female body – even those not shaped like supermodels – with clothes that are unique to that woman. Along the way they keep alive artisan techniques that might otherwise die out.

The Comité Colbert, which promotes the luxury goods industry, is so worried about the possible demise of these skills that it has taken to running courses introducing teenagers to manual crafts.

Even Chanel, despite its reputation under Karl Lagerfeld's design, has problems attracting young apprentices.

"It's a matter of attitude," says Catherine Rivière, director of haute couture. "Karl expects everyone to feel the same commitment and love for

Chanel's hourglass-curved red wool crepe coat.
■ Detail: shaped pocket and raised seams with perfect parallel stitching

One in six of us is a shopaholic, Mintel reports, and although this seems a depressing statistic, I prefer to look at it the other way and think that five out of six of us are not. That species – so highly developed in America – which needs to shop in order to feel it exists, is still a rarity in the UK.

But there is disturbing evidence that it is increasingly difficult to find a shopping-free zone, no matter where you go. Wimbledon, the Royal Opera House, Hampton Court Palace, Buckingham Palace... you name it, they will be trying to sell you more than spectator sports or a cultural experience. They will be there with their souvenirs,

couture that he does. If they are happy to work for 200 hours on one blouse, if they can go to a fitting and be proud of how their work looks, not envious of the rich woman who is wearing it, then they are right for us."

Cutting and sewing couture is, according to a future chef d'atelier at one of Yves St Laurent's two tailoring workshops, "a continual learning process. You can never say your training is over. Similarly a garment is never finished. You can always improve the detail."

St Laurent's workshops thrive on the quality of their handwork. Details such as a hand-sewn, contrasting silk lining and the way a ruffle is set between that lining and the outer fabric, or a simple-looking trim that is in fact a complex confection of appliquéd velvet and decorative stitching – these are the private fruits of the contract between client and couture house.

And such details explain why St Laurent still has the biggest regular clientele, said to number around 400, in spite of rumours that the designer himself is now less creatively involved.

Here, shapes are traditional, though this season's experiments with both very short skirts and the new knee-length bell shape, teamed with small fitted jackets curvily seemed to the figure, and richly-brocaded Chinese styles for evening, are an unqualified success, a collection that recalls his glory days.

The St Laurent client still prefers contemporary quality to trend statements but this new modernity may prove prophetic, as may Chanel's recruitment difficulties because, by all accounts, couture is undergoing a small boom.

Dior reports sales up by 14 per cent last year while Lacroix and Versace both claim a new clientele of young Europeans who want simpler but glamorous "occasion" clothes which will work in their wardrobes for years and who appreciate the handwork involved.

Christian Lacroix is the designer *par excellence* for decorative flourishes and historical references yet his simpler draped chiffon *Diréctoire* dresses have been his greatest success.

He is also very aware of couture's role as an ideas powerhouse, particularly in the field of fabrics and technique. His new collection fuses specially-invented ways of working fabric with revived design ideas such as the puffed Edwardian shoulder, the hourglass corset and a knee-length A-line skirt with fluid movement.

As the collection's orchestrator he persuades craftsmen to invent techniques that give the effects he wants.

"He has a very clear idea in mind which he communicates to experts who then try and deliver it," says his assistant Laure du Pavillon.

The whole show collection is produced in two months and the atmosphere in the studio, as various elements come together, is fantastic."

An example this season is the use of large, coloured paillettes which Lacroix wanted to look fluid rather than 1960s stiff. This meant sewing them into an experimental underlying network of stretch silk handknit.

Opposing Chanel, he views such craftsmanship as "not unlike an art" and so complex and painstaking are his designs that his atelier of 40 workers can make for clients no more than 120 pieces (and one outfit may contain 3 pieces) per season.

This is patently not an economic undertaking but is regarded as essential for the house's creative development.

Versace is another noted fabric innovator. Like other couturiers, his traditional decorative



Dior's elaborate decoration is as spectacular as its immaculate tailoring.

■ Detail: a black velvet jacket has a complex trim of satin, embroidery and punched crocodile skin

tailoring is done by the great Paris embroidery houses such as Lesage, but he also works closely with German and French companies specialising in metallic fabrics.

They have developed a fluid "chainmail" at his behest, while other handwoven finishes – such as a fishscale-effect bodice, which on close inspection turns out to be made of fine silver rings threaded on to hand-turned ribbon – are made in his Milan workshops.

Even in couture Versace has an eye to commerce. He is a supremely flattering and glamourising cutter and the impact made by actress Elizabeth Hurley attending a London film premiere in one of his dresses apparently held together only by safety pins has sparked many imitators.

Karl Lagerfeld at Chanel has sometimes completely subsumed couture tradition and technique in headline-grabbing razzmatazz, but not this time. Complex technique is paramount though not always easily visible.

On the catwalk, precision-cut jackets, cinched and fluted like an hourglass, look effortless. But in fact they contain up to 30 pieces and are shaped by a profusion of curved, raised seams, each stitched to within a millimetre's accuracy.

In ready-to-wear, the famous braid trim is sewn on; in couture, this season, it is an edging of satin and an appliquéd of velvet, or a mix of hand-plaited fabrics, or tweed made into a fine bias rouleau and applied by hand.

The basic silhouette is a refined version of the tight-

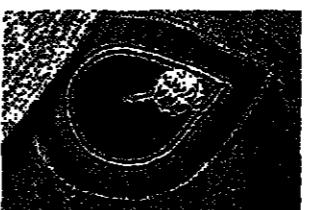
waisted, full-hipped shape revived when Vivienne Westwood showed it in March. In Chanel's mix of subfusc shades with the occasional bright or pastel tweed it looks at once nostalgic and sophisticated. Its craft is beyond reproach yet any general fashion influence it has will be on overall shape.

In spite of the supremacy of couture technique, it is the bright, immediate media image to which even the most cynical of us is susceptible.

Looking for a pair of shoes to replace ones ruined in the tropical downpours which have plagued Paris this week, I found myself tempted by a pair with a well-known designer label.

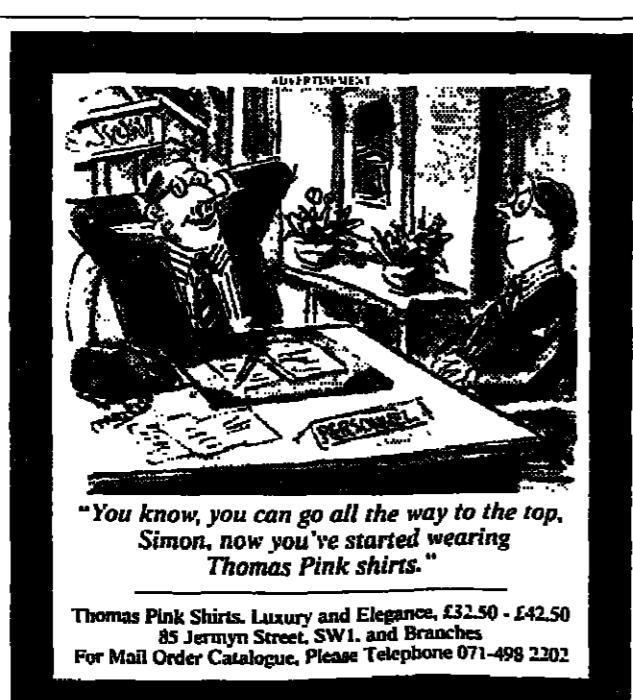
Were they really more attractive and wittier than any others, or did I just imagine that that safety-pin dress rub off on me?

Detail pictures Ben Caster
Catwalk pictures Niall McInerney and Ben Caster



Yves St Laurent's ladylike forest-green wool crepe suit with burgundy velvet trim on pockets.

■ Detail: pocket trim made of hand-cut velvet and decorative stitching, silk-lined and appliquéd on



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Shopping marches on

Lucia Van der Post reports on two new victims of shopaholics

special offers, postcards and scarves.

This summer two more bastions have fallen prey to the notion that no experience is complete unless there is the opportunity to shop: Goodwood, that most demure of racecourses; and Glyndebourne, that most magical of opera houses.

In Sussex, Glorious Goodwood is about to begin. It runs from Tuesday to Saturday and, aficionados will know, it has always had a

completely different atmosphere from Ascot. There are fewer of the international or Euro-chic set around,

dress-codes are informal, even for the Richmond enclosure, and picnics are part of the treat. This is not the place for blindingly smart jackets and short skirts. Go instead for soft jackets and flowing skirts – think country prettiness instead of metropolitan chic.

As for the chaps – where Ascot is morning dress and top hats, Goodwood is full of a

racegoers in blazers and chinos or linen suits and panama hats.

Friday sees a grand ball in conjunction with Tiffany, the jeweller, and, to coincide with Goodwood Week, the company has launched a first collection of Goodwood-related products.

The collection is small and based on the colour yellow – a particularly brilliant shade found in a Stubbs painting. You can choose from socks, head-scarves, silk ties, braces, umbrellas and panama hats.

You could spend 50p on a pencil, £30 on a Panama hat or £25 on a silk scarf.

During Goodwood Week there will be a shop near the paddock. Afterwards, everything will be available by mail order (brochures and details from Goodwood House, Chichester, West Sussex, PO18 0PL Tel: 0243-774107).

Those who have already been to Glyndebourne may have noticed that the new shop sells a host of items that could come to the rescue of

forgetful punters – you could buy chocolates or champagne (£25), waterproof-backed picnic rugs (£35) and ultra-lightweight folding seats (£36.75), insulated bottle bags and champagne stoppers, canvas bags and umbrellas, all in Glyndebourne green.

Also on sale are photographic albums, address books, notebooks and pencils. For opera buffs there are recordings, videos, opera journals and the like. Prices range from 95p for the notebooks to £11.95 for a visitors' book.

The shop is open from 3pm until the end of each performance. A catalogue is being produced for the autumn. Details on 0273-812321.

SHOPS AND
GALLERIES

FOOD AND DRINK



Diners at Harvey Nichols; you can opt for an attractive wine pricing policy there on Monday nights

Tony Andrews

A customer-friendly bottle

Nicholas Lander reports on a new trend in restaurant wine pricing that saves diners' money

The adage in the restaurant business used to be that "you never see a good restaurant advertise". This is no longer true. A number of leading British chefs and restaurateurs have taken part in the recent multi-million pound American Express campaign.

"And in New York, Alan Stillman has managed to keep his restaurants - The Post House, Smith & Wollensky, Côte and The Manhattan Ocean Club - humming by the use of full-page advertisements in the New York Times.

Although such advertising is invariably too expensive for the single restaurant, there is no doubt that the industry is aware that it must promote itself continually to compete for its customers' disposable incomes.

Chefs know that writing recipes in a newspaper, giving interviews on how they prepare Sunday lunch, even appearing as a judge on BBC's *MasterChef*, can keep their bookings' line busy. In today's competitive world no opportunity can be overlooked.

And now it appears restaurants

are beginning to put their wine lists to work in a way which can bring financial savings to their customers.

The process started in New York at the beginning of the year but has now surfaced in the smart Fifth Floor restaurant of Harvey Nichols, the department store, in Knightsbridge, west London. There, on Monday nights, you can buy your wine in their wine shop and take it to your table at no extra cost.

The restaurant's mark-up is completely foregone in a brave - and so far seemingly successful - attempt to boost business on what is invariably the quietest night of the week.

Dining there recently, we began with a half of Pernard-Vergelesses 1988 from Rollin Pers (£9.95 in the shop, £13.50 on the restaurant wine list) and then moved on to a bottle of 1985 Barbaresco from Mascarello (£18.50 from the shop, £28.50 on the restaurant wine list) which the sommelier decanted most professionally.

Both choices showed how consumer-friendly this pricing policy can be. The first wine was slightly disappointing but not excessively so, given the price we were paying.

The second was so glorious that we felt we were enjoying a most wonderful bargain.

This scheme has been instigated by the restaurant's manager, Edward Hyde, originally to promote the wine shop.

"Obviously when we began the scheme," he says, "we were concerned about its impact on profitability. Margins have been affected but there have been two major compensating factors.

"The first is that we have significantly boosted business on Monday evenings, and, secondly, those who are coming on a Monday night are entering into the spirit of things. No one is coming in here to drink a bottle of the house red at £4.50.

"Instead, our customers are taking the opportunity to trade up and enjoy wines that they could not afford previously. We have also learnt an important lesson: that our customers come in here with a very fixed idea of what they are going to spend on wine.

"If it is £20 they are still spending that much on Monday nights but they are drinking far more interesting wines."

It is a distinct advantage having your own wine shop next to the restaurant so that at least you can make a retailer's margin. But, taking it a step further, certain American restaurateurs have shown just how aggressive wine pricing can stimulate business.

Alan Stillman started the ball rolling at his Côte restaurant in January. Business at lunch and pre-theatre was good but dinner trade needed a boost so he adopted a policy of offering unlimited glasses of wines, such as Moët & Chandon non-vintage champagne, top California chardonnay and classed growth claret, to anyone ordering a \$39.50 (£26.50) *prix-fixe* menu or three-course dinner.

It cost Stillman roughly between \$10 and \$13 per customer, many of whom in turn spent an extra \$8 on dessert and coffee that they would not normally have ordered. But it immediately filled the restaurant through the quietest months of the year and got everyone talking.

It also stimulated fellow restaurateur Philip Scotti at the Century Café in Times Square, into creating a pricing policy on his wines - for bookings between 8pm and 11pm - that means charges are a mere \$1 per bottle over cost.

Russell Ruscigno, at his Clinton Street restaurant in Los Angeles, and Gayle Dierkhsing, at the All Season's Café, Calistoga, have adopted similar pricing policies with the same beneficial result. Ruscigno charges a fixed \$8 per bottle over wholesale, and Dierkhsing \$7.50 per bottle over retail. Both report increased volume and better takings.

Such attractive wine pricing will, I hope, become more common in the UK, particularly as we have a national network of enterprise off-licences to provide the wines. In the interim, anyone looking for vinous excitement on a Monday night and with anything to spare from around £10 for a 1992 Shaw & Smith Reserve Chardonnay from Australia, to £17.50 for a 1982 Domaine de la Romanée-Conti La Tache, should head off to Harvey Nichols on a Monday night.

■ The Fifth Floor, Harvey Nichols, Knightsbridge, London SW1. Tel: 071-235 5250. Set three-course menu £21.50, excluding service and wine.

Eating Out United in mediocrity

Giles MacDonogh visits Ulster

Northern Ireland is worth it. It has some spectacularly beautiful stretches of countryside and in some parts, at least, it has all the charm and warm-heartedness more usually associated with the Republic. Even after a vicious terrorist campaign aimed at the historic centres of Ulster's county towns, much of it is unspoiled. "The Troubles" is still very localised.

With a name like mine, I am naturally disposed to like Ireland; and Ulster is very much Ireland. On the other hand I am not blind to the drawbacks. One of these is food. When it comes to food, the dream of unity has already been accomplished: you eat hardly from Ballydehob in County Cork, to Ballycastle in County Antrim.

Things are, however, getting better on both sides of the frontier. Ulster has two famous

restaurants. In the holiday town of Portrush there is Ramore and in Belfast there is Roscoff. I have not eaten at Ramore for more than five years, so I shall forbear from comment. Roscoff, Ulster's only Michelin-starred restaurant, I have visited more recently.

Its location came as something of a surprise: it is right in the middle of Belfast where it is popular with British journalists on Ulster postings. It is keenly priced and busy, with its vaguely nautical decoration it looks a bit like a sea-side brasserie. The food is described as Franco-Californian, but it is rather more of the latter than the former.

Rather Californian was the "seared beef with celery, Parmesan and truffle oil" which I enjoyed; less so were the "sautéed sweetbreads, with fresh pasta, bacon and roast garlic", which I did not. It was a fussy dish and the sweetbreads were overcooked and over-salted.

A chestnut and amaretti soufflé proved a little dull, but Paul Rankin, the chef, was away that day, and I am prepared to believe that the cooking would have been more precise had he been around.

In the provinces they will tell you that Rankin has done much to encourage small producers of quality raw materials. One supplier he has patronised is McCartney's in Moira, County Down. George and Gordon McCartney are prize-winning sausage makers with a list of 31 specialities running from lamb with mint to pork with banana.

I am happy to say I have not had the banana sausage, but I have eaten a delicious pork and leek sausage as well as an excellent beef and Guinness. The McCartneys refuse to countenance sales from anywhere other than their shop, which is fine if you live in Belfast, which is only half an hour away by car. Here in London it seems by proxy.

The McCartneys use pork from a couple of local farms and superb Ulster lamb. At the Portaferry

Hotel in Portaferry I had wonderfully flavoured lamb from the Mourne Mountains, while on the Antrim coast the lambs graze on salt meadows as fine as any in Normandy. Sadly no initiative is made to market this meat and in most Ulster restaurants there is an unfortunate tendency to smother the meat in old-fashioned fruit sauce.

A similar lack of initiative has blighted Ulster cheese. In the Londonderry Arms, in Carnlough, I was told that the local farmers' wives had abandoned cheese and butter-making in the interests of "liberation". I don't know if this is true, but if it is, liberation would seem to be a high price to pay.

Ulster used to have three farmhouse cheeses, but these are, as I was told, "all more or less defunct". There is a serviceable cheddar from Coleraine and a horrid Limeswoold lookalike called Bally Blue. Bally Blue indeed.

Bear from Ulster's one independent brewer, Hilden, proved impossible to find, even in the Crown Liquor Saloon. The Crown is one of the best preserved Victorian pubs in Britain: a remarkable achievement for a building opposite the Europa Hotel in Belfast.

Belfast gin was almost as hard to find. Again this is a pity. It is a nice lemon drop, and rather better than a lot of the better-known brands.

On the other hand, there was no shortage of Bushmills' whiskey, County Antrim's most famous product.

Ulstermen are proud of their breakfast "try", but this too is something to approach with caution. Neither the sample produced at the Caledon Hotel in Holywood, nor the Galgorm Manor, near Ballymena, proved authentic: the sausages were in synthetic casings (unlike McCarney's), there was no black pudding and the sweetbreads were overcooked and over-salted.

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■ **Information:**
Roscoff (tel: 0232-331532);
McCarney's (0946-611422);
Londonderry Arms (0574-385255);
Portaferry Hotel (02477-32321);
Crown Liquor Saloon (0232-249476);
Caledon Hotel (02311-5223);
Galgorm Manor (0286-390080);
and Corrigan's restaurant, Fulham Road, London (071-351 7223).

Cookery/Philippa Davenport Pep for puddings

Ites to prepare and will serve four in style. Success lies in good organisation.

The oven must be pre-heated thoroughly to 425°F/220°C (gas mark 7) while the freezer should contain plenty of crushed ice and 1pt of the creamiest vanilla ice cream.

Meanwhile, prepare and chill the filling. First, beat 5 eggs. Reserve a spoonful or two to seal and glaze the pastry. Add 6oz sugar to the rest and beat until soft and foamy. Then beat in the finely-grated zest of 3 lemons and just over 4 fl oz of lime juice. Stir 1/2pt double cream until smooth and blend it into the lime mixture.

Ladle the pastry case with grease-proof paper and beans, and blind-bake it on a hot baking sheet for 15 minutes at 400°F/200°C (gas mark 6). Remove the beans and paper, brush the pastry with the reserved beaten egg, and bake for 5-8 minutes more until the pastry is set firmly.

Ladle the filling into the pastry case. Reduce oven heat to 300°F/150°C (gas mark 3) and bake for 70 minutes.

Let the tart cool completely in the tin: this will take about four hours. Then, cut the pastry level with the filling and mould the tart. Serve it on the day of baking, covering the lime custard with strawberries, whole or sliced, just before serving.

LIME TART WITH STRAWBERRIES
Here is a delicious and pretty dessert for six (or eight if appetites are modest). Wild strawberries are sold by smart greengrocers and can sometimes be found in supermarkets. Alternatively use 1lb/450g ordinary strawberries, sliced. How much juice a lime will yield varies greatly: play safe and buy four.

Make some paté sucre with 6oz plain, white household flour, 3oz butter, 3 egg yolks

and 2/4oz sugar. Wrap it and chill for at least 30 minutes before using it to line a 20cm (8in) cake tin with spring-clips sides. Chill again for an hour or longer.

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WILTSHIRE JUNKET WITH RASPBERRY PUREE
Junket is one of those old-fashioned foods you tend to forget about then re-discover with glee, for rich versions are every bit as good as *coeur à la crème* - and less fiddly to make. When cream is used, the texture of junket is delicate and rich, slipping down the throat silkily. If the mixture is

stir 1pt natural yoghurt into it. Cover closely and freeze.

Put the ice cream in the refrigerator about an hour before serving.

meanly milky, the results may be perilously thin and bursting with whey.

Look out for Burgess rennet essence in good grocers (my local Waitrose stocks it). Today's brew seems to produce a firmer set than it used to and, sensibly, bottles now are marked with the expiry date of the rennet's potency.

For four people, mix 1/4pt single cream with 1/4pt creamy (gold top) milk. Warm gently to blood temperature (98°F) with 2 teaspoons vanilla or caster sugar. Away from the heat, quickly add 1 teaspoon rennet. Stir to mix well and divide between four small glasses or bowls. Leave undisturbed at room temperature for about three hours.

Serve topped with raspberries for garnish, and a jug of raspberry puree (1/4lb of raspberries sieved and sweetened with 1oz icing sugar, or to taste). Blackberries, loganberries or mulberries can replace the raspberries.

LEMON CURD ICE CREAM

I am quoting this from *Leith's Cookery Bible* (Gibury, £20). It is good served with crumbled amaretti biscuits and a handful of fresh berries (strawberries, raspberries or blackberries) with a matching berry puree to sauce it. I have also used it half and half with rich vanilla ice cream when making summer soufflé surprise.

To serve six people, put into a small saucepan 4 egg yolks; the finely-grated zest and juice of 2 lemons; 4 1/2oz caster sugar; and 4oz unsalted butter at room temperature and cut into dice. Place over gentle heat and stir until the butter has melted and the curd coats the back of the spoon.

Allow the curd to cool then stir 1pt natural yoghurt into it. Cover closely and freeze.

Put the ice cream in the refrigerator about an hour before serving.

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PROPERTY / GARDENING

Results from Savills and John D. Wood, for the year ended April 30, reflect the strength of the London property market. Savills' pre-tax profits increased 125 per cent from £1.44m to £3.24m, with the agricultural and residential side contributing £1.19m (£45.6m) thanks to firms London and farm land markets. Foreigners made up more than 40 per cent of the buyers in London.

Wood reports pre-tax profits of £681,000, against a £291,000 loss the year before. London turnover was more than 50 per cent higher, and near the peak of 1987-88, while country and agricultural turnover rose 24 per cent. The price inflation

rate in central London has been around 20 per cent in the past 18 months.

A report from Cluttons reveals an average central London price rise of 10.3 per cent in the year to June 1994, with roughly a fifth of that coming in the second quarter of this year. Houses increased more than flats.

Fulham and Pimlico have risen more – proportionately speaking –

than Knightsbridge and Kensington; indeed, the short supply of houses in Fulham led to an average annual increase of 16.3 per cent, which is almost twice as much as for flats (8.3%).

■ Handsome price, handsome flat... agent de Groot Collis (071-235 6090) is seeking offers of more than £2m for the 28-year lease of a ground-floor Knightsbridge apartment in Cadogan Square,

SW1. Besides use of the garden in the square, it opens on to a shared garden at the back of the terrace. But its treat is spectacular: French oak floors and deep mahogany in one bathroom. The other has burr maple, even on the lavatory seat and the ceiling. A huge mirror emphasises the beautiful grain of the wood – and the sense of being in your own early-18th century cabinet.

■ The major part of a Gloucestershire village manor house with three acres of grounds and gardens is being offered for sale, freehold, by Butler Sherborn of Burford, Oxfordshire. (Tel: 0895-522325). It is looking for offers of £395,000 for the seven-bedroom property on the edge of Kencot, a Cotswold stone village, 14 miles from Swindon and 22 miles from Oxford. The house, listed grade II, is believed to date

to the early 17th century. ■ Lovers of Victorian architecture are offered a rare opportunity at Ramsgate, Kent. The Grange, built early in the 1840s, is for sale, coinciding with an exhibition about him at the Victoria and Albert Museum in London. This house was a revolt against the classical/Georgian tradition in domestic architecture, and affected design for

decades.

In brick and stone, it has three floors and an imposing tower with views over Ramsgate harbour to the Channel. The stained glass in the chapel includes saints Augustine and Gregory, plus Pug and his wife and family. The price is £200,000 from Knight Frank & Rutley in Tunbridge Wells (0892-615 035).

■ At South Holmwood near Dorking, Surrey, a house designed by Sir Edwin Lutyens in the Dutch style is on offer for £400,000 from John D. Wood (071-493 4106). Called The Dutch House, it has an unusual Y-plan.

G.C.

Cadogan's Place

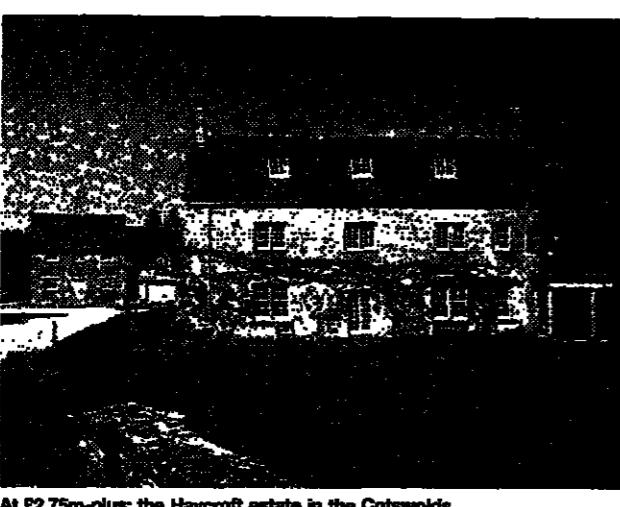
Results reflect London's strength

For those who fancy a village of their own

Not all country estates contain such a bonus. But there are plenty of other reasons for spending big on rural living, says Gerald Cadogan



At £3.6m: Chilham Castle, which comes with 298 acres



At £2.75m-plus: the Haycroft estate in the Cotswolds



At £250,000 under the hammer? Woodbrook House in Co. Wexford

It is rare that a complete estate – including the village – comes up for sale. The last one was Glympton Park in the Cotswolds, sold to controversial Australian tycoon Alan Bond in 1988 for a reported £11m-£13m. (It was sold on 18 months later.) Now, another Cotswold estate is for sale with 1.748 acres and an entire, unspoilt village of 25 houses and cottages.

Between £8m-£10m will buy Salerton Park, a late-Georgian mansion set amid parkland in one of the most beautiful parts of England. Village apart, the deal includes a farm, 199 acres of woods, and a partridge and pheasant shoot. The vendor is Victor Watkins, a building entrepreneur, who bought it in 1981 and has improved house and land greatly. The agent is Savills.

True estates are large parcels of land, usually over 500 acres (unlike the houses with a few acres that agents label "estates" to make them sound more than they are). Buyers are attracted for various reasons: among them the house, the shooting or the farming.

Most buyers have not owned an estate before, and where to pitch a bid is an art. Buying agent William Gething, of Property Vision, first works out the price of its parts – which may be the same as the lots into which large properties are often divided – and assesses how many others could be interested. Then he looks at the drawbacks: is the house too near a road? Does the land have gaps where bits were sold off in the past?

Then comes the tricky question: is the whole worth more than the sum of its parts? For Salerton, which is so clearly a unit, the answer is yes. The same would apply to another Cotswold estate, Haycroft, near Northleach, for which Savills is seeking offers over £2.75m.

This has fewer acres (636) than Salerton but house and land are in a valley, which helps to integrate the other buildings – a mill house, three cottages, barns and a stable yard. Then, too, there is pheasant and duck shooting.

For Savills, 1994 is proving a



At £20m-£21m: Salerton Park, complete with 1,748 acres and an entire village of 25 houses and cottages

bumper year for marketing estates. Also on the firm's books (for £3.5m) is Chilham Castle and its 298 acres in Kent. There is a 17th century brick mansion (with additions) and a garden said to have been shaped by the noted designer John Tradescant.

Chilham is near the Channel tunnel station at Ashford and there have been inquiries from abroad. Possible uses are as a hotel or some other type of leisure development – the castle has been open to the public – or a company headquarters.

Other residential estates for sale include Westhall (430 acres) in Aberdeenshire, a tower house with Victorian extension plus a sauna, heated swimming pool and tennis court, all indoors to defeat the

Scottish weather (from Smiths Gore: offers over £1m); and Zeals (375 acres) in Wiltshire, listed Grade I (Egerton, £2.5m).

Owners usually prefer to sell an estate as a whole in order to maintain what they have cherished, but this does not always work out. At Tythrop near Oxford (Savills), the farmland is mostly under offer but the magnificent big house awaits a buyer. At Stratton Audley near Bicester (Strutt & Parker), and Brede Place in East Sussex (KFR), the house has gone and the land waits.

Christopher Wilson, of buying agent Wilson & Wilson, stresses that farming is a profitable business again. Although uncertainties lie ahead – such as how the Euro-

pean Union will review the money-gulping Common Agricultural Policy – he says that "net pre-tax yields of 9 to 10 per cent are feasible if there are enough economies of scale". This usually means buying more land while using the same number of men and machines. His firm will prepare a business plan, including a three-year cash-flow analysis, for a new owner.

Financial institutions selling farming estates, such as Ariel Farms (part of the BBC pension trust), will do very well as land prices have risen steeply over the past 18 months.

In Cambridgeshire, Ariel (through KFR) is offering Woodwalton (1,683 acres) at £2.95m (to include two farmhouses, three cottages, farm

buildings and a shoot). In Essex, Ariel has Little Braxted Hall (737 acres), with a superb partridge shoot – the vendors advise retaining the gamekeeper – and an irrigation licence for 30m gallons to ensure the best potatoes (also KFR, offers over £1.75m).

The best sporting estate on the market is Gunnerside (26,485 acres, mostly heather) in West Yorkshire, with a rich variety of beats and some of the most exciting grouse shooting in Britain. Savills seeks substantial offers. The same agent is asking £1.35m for Scarhill (4,222 acres) with a smaller grouse moor in Teesdale, Co. Durham, where Murray is joint agent.

Where, though, do the pounds go furthest? Probably

Ireland. The splendid Woodbrook House in Co. Wexford, with a 30ft-long drawing room, a candlelit spiral staircase and a park, is on sale for the first time since the house was built in 1780. Hamilton Osborne King will auction it in Dublin on August 9, suggesting £150,000 for house and 233 acres.

Information: Hamilton Osborne King, Dublin (01-553-1-676 0251); Knight Frank & Rutley, London (071-622 3171); T. Murray, Haswell (091-526 1191); Property Vision, London (071-602 8788); Savills, London (071-493 8644); Smiths Gore, Forfar (0307-463 080); Strutt & Parker, London (071-629 7282); Wilson & Wilson, London (071-738 9889); Withers, London (071-936 1000).

Gardening/Robin Lane Fox

Why not host a hosta in a civilised setting?



Hosta fortunei 'abacifolia' slug love it

own, a favourite feature of no less a designer than David Hicks. There are now so many that you can host a hosta in any good garden: seven years in a row, Sandra Bond, of Goldbrook Plants, Horne Eye, Suffolk, has won gold medals for her stunning exhibits at Chelsea. She has the biggest list, both home-bred and American. From the Hosta Society, you can also try the Bowdens at Cleave House, Stickleton, Okehampton, Devon.

But slugs remain their greatest admirers. If we can kill off the slugs, we may one day have a hosta war. The balance of trade is tantalising. In the wild, the best hostas grow in Japan. Hosta 'fluctuans' is grown beside many Japanese doorways and its leaves are used in a clever recipe for rice.

There were Japanese breeders of hostas in the 1950s, but the Americans saw their potential, took

parents home and made them a plant for the family yard. Their market is enormous, but the Japanese are returning to the children of their heritage. They are continuing to breed new forms and are planning to bring wild varieties into London.

In Britain, we use them fully,

encouraged by all the experts and

well served by our leading nurseries.

Hostas belong in the most civilised

and fashionable settings. The big

grey-blue-leaved sieboldiana 'Elegans'

is the perfect foil for the taller older

fashioned roses where it was often

used by that great garden-planner, the late Lanning Roper.

Hostas now turn up in pots on their

way across grease.

Next, scent and stamina. In pots,

the best forms are the fortunei group

because they have the most shallow

roots. They are also good in gardens. I

have gone off the highly popular

Frances Williams, which was the star

of the early 1980s, because its stale

yellow edging on the blue leaf turns

down in dry weather and is slow to

develop. My new stars are Sun and

Substance, the blue-leaved Blue Angel

and Halcyon and the scented Sugar

and Cream and Summer Fragrance.

Of all these forms, Sun and Sub

stance is the most remarkable. It

makes a clump of green-gold leaves

for which one plant suffices in isolation.

Slugs cannot ooze their

grease.

Next, scent and stamina. In pots,

the best forms are the fortunei group

because they have the most shallow

roots. They are also good in gardens. I

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Frances Williams, which was the star

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Of all these forms, Sun and Sub

stance is the most remarkable. It

makes a clump of green-gold leaves

for which one plant suffices in isolation.

It grows in sun. It is starting to

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A M D E G A

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BOOKS

Stark tale of decade's evil drug

Keith Hellawell discusses the horrific challenges posed to society by crack cocaine

Newspaper headlines and American films form most people's perceptions of crack cocaine. Jon Silverman's book reveals what the drug looks like, its origins, how it is used, its cost and its effect on the user. He also describes those involved directly with it: the law enforcers, the increasingly ruthless dealers and the desperate addicts.

His insights dispel any lingering doubts about the evil of crack cocaine and the threat it poses to our society.

The focus is mainly on Britain and Silverman levels some criticism at our failure to develop a comprehensive strategy to deal with it. Crack is a relatively new drug in Britain, so to some extent the criticism is justified. But it is still difficult to find any government or law enforcement agency which would claim to have the answers.

Earlier this month, I attended a conference in New York with representatives from many countries; we

shared views, we compared problems, we examined our policies and solutions. But we are all in the same boat - there is still no comprehensive answer to the crack problem.

The text outlines that problem and describes specific operations by the Customs and the police. Some of these accounts are personalised a little too much, making it appear as if it was a single officer with persistence or flair who was the sole driving force. While this is partly true, an individual needs the support of a team and the strength of an organisation behind him or her to operate effectively.

Silverman does, however, capture well the feelings and emotions of

officers involved in operations - their fears and frustrations, the highs and lows, their personal sacrifice in the constant pursuit of justice.

As to the traffickers and peddlers of this obnoxious cocktail, crack; towards the end of his book Silverman mentions the white criminals who see drug trafficking as less dangerous and more lucrative than robbing banks and have their own way of importation (probably gleaned from American movies).

He pays most attention, however, to the formation, growth and development of the Jamaican criminals known as "Yardies". The early political support for these vicious criminals, their spread through the

US into Britain, the trail of senseless violence and the apparent lack of remorse is terrifying.

The accounts of summary executions, gang warfare not seen since the days of Prohibition, torture -

CRACK OF DOOM

by Jon Silverman

Headline £16.99, 256 pages

one woman had a hot iron pressed against her face then was doused with boiling water to make her talk - is horrific.

The haphazard nature of their groupings, their false identities, the peripatetic nature of their lives - moving on false passports, between

here, the US and other countries - make these criminals difficult to target. The job of the police is made even harder by the fear of violence among potential informants, the near impossibility of operating undercover in these areas and the fear of being dubbed racist for mounting large operations in black areas.

The advent of personal radios and the army of children willing to act as lookouts and warning sirens exacerbates the problems, which are ably covered by Silverman.

For users of the drug, the picture is perhaps bleakest of all. Their lives are taken over completely by little rocks of crack as they fall, almost irreversibly, into the fires of

utter dependence and show a willingness to maim, kill or even sell their children to maintain their habit.

The human depravity which lead to the sacking of Rome pales into insignificance alongside the lives of some crack users. Whether we feel that they are victims or villains we cannot or must not ignore them - and as yet we have no proven cure for their addiction.

In this very readable snapshot of a 20th-century drug, Silverman offers the reader an honest picture of the effects of such a vicious drug on our society but does not, and probably cannot, offer solutions.

He hopes that crack will run a cycle - he postulates 10 years and

says we have five to go. I will not hold my breath.

The reader can, however, be assured that all law enforcement agencies throughout the world now know a great deal more about crack and its wake of violence and criminality.

Improved intelligence networks, spearheaded in Europe by Europol; better liaison and sharing of information supported by the recently formed National Criminal Intelligence Service, and multi-agency targeting operations of the criminals involved are all part of our 1990s armoury and in this we do achieve much success.

But if we are to eradicate this drug from our society we must help people, particularly our young, to recognise crack for the plague that it is and convince them to avoid it. They need help and they need it now.

Keith Hellawell QPM, is chief constable of West Yorkshire Police.

Housewives and comrades

John Lloyd on the women behind the Kremlin walls

The central interest of this book is the witness it bears to people - men and women - living lives under conditions we cannot understand or judge without a large effort of imaginative reconstruction.

It is only moderately well written (though it appears to be well translated) and it is sloppy like much of Russian writing on current affairs - great unevenness as the writer's interest waxes and wanes, analytical short-windedness, sentimentality breaking through and minimal sourcing.

But the fascination of the subject - the testimonies contained within it to the lives of women who were at once monstrous and oppressed, most favoured and most in peril of their lives, expected to be at once "both Martha and Mary, housewife and comrade" - compensates for these defects.

Apart from the last chapters, where recent Kremlin wives are presented as brief cardboard cutouts, the character sketches are quite readable.

The portraits of the first wives are the best and most poignant. Nadezhda Krupskaya, who married Lenin on his exile to Siberia in 1898 and who outlived him by two decades, is drawn as a woman whose enforced modesty of expectation for herself - genteel poor and plain - led her to

Marxism, then to Lenin. Inhibited and puritan, she and her mother were nevertheless friendly to Lenin's probable mistress, Inessa Armand - her temperamental opposite but comrade all the same. Lenin's amanuensis in the years of exile, she adapted with avidity to the role of purger of bourgeois filth from the school syllabus after the revolution - banning a vast codex of Russian and foreign authors, including Dostoevsky, Blok,

KREMLIN WIVES by Larissa Vasilieva Weidenfeld & Nicolson £20.00, 241 pages

Akhmatova and Pasternak.

Vasilieva comments, rightly, that "had (she) wielded supreme power, she would have inaugurated a cultural inquisition far more effectively than Stalin because she was better educated than he was. It was not just a matter of who ultimately led the party machine, but of the machine's ultimate cruelty."

At least Krupskaya was in charge of her own life to some extent and - though famously sworn at by Stalin during her husband's final illness - was untouchable after his death.

Stalin's own (second) wife, Nadya Alliluyeva, was half his age, gently reared in Georgia,

yet apparently strong willed. Her suicide remains a mystery. Trotsky, an unreliable witness, believed it was a murderous prompter, Nadya Armand - her temperamental opposite but comrade all the same. Lenin's amanuensis in the years of exile, she adapted with avidity to the role of purger of bourgeois filth from the school syllabus after the revolution - banning a vast codex of Russian and foreign authors, including Dostoevsky, Blok,

Vasilieva, with no proof, appears to plump for murder, saying that she "had to die. Her presence would have prevented Stalin from fulfilling his historic mission. He would tolerate no obstacles on his path, especially female."

Though Stalin, Vasilieva believes, had affairs, he encouraged a reassertion of outwardly bourgeois morality in sexual behaviour which snuffed out the bohemianism of the early Bolsheviks.

Armand herself, Alexandra Kollontai and the beautiful and flamboyant Larissa Reisner were among the leading women proponents of a sexual liberation, that included the acceptance of a woman's right to sexual advances - a huge leap for the generally middle class or even noble ladies who were the leading revolutionaries.

None of those who lived into the 1930s were heroines, though many are said to have been kind. The iron imperatives of the party and the terror it inspired entered them as it did their husbands, displac-

ing what our age sees as the priority of personal satisfaction and individual affections with a rigid assumption that the party always comes first.

Kollontai did not lift a finger

to save a former lover from Stalin, even when she was ambassador to Sweden; later, Marshall Budenny, Commissioner Molotov and even Soviet

President Kalinin all submitted to their wives being arrested, imprisoned, tortured, probably raped and sent to camps while the men - uncomplainingly - laboured on in their high posts.

When released, these wives returned to their husbands and in the case of Paulina Zhemchuzina, wife of Molotov and a victim of the anti-Semitic

purges of Stalin's last years, to the party and to devotion to Stalin. When he saw these men, Stalin would tease them about missing their wives.

Khrushchev, the de-Staliniser, makes the break for the wives too. Nina Petrova, his wife, "reassured terrified Americans as they saw that this vast empire was now ruled

by a funny fat man and his provincial wife, clutching her handbag to her ample stomach". Nina Petrova had had a tough life in Ukraine before she ascended the increasingly comfortable ladder of power.

Vasilieva says that her priorities were in the end personal: "She still loved the party and fondly recalled past purges!"

yet she would not sacrifice her life's companion to its gaping maw".

While it is too diffuse and fragmentary to be a good book, it does lift the curtain on lives where idealism, self-preservation, fanaticism, pity, ruthlessness and stolidness mixed into a state of mind which was to dominate and cow a country.

Parts one and two, *Where The Rivers Meet and Comedies*, appeared in 1988 and 1992. Posthumous publication of *Hungry Generations* completes the work; it is built around the lives of two brothers, the sons of an Oxford publican. One is a skilled worker at the Morris factory at Cowley, and the other a history don at an imaginary college called Episcopis.

Where *Rivers Meet* is the over-all title. Not only does Oxford stand at the confluence of the Thames and the Cherwell, it also has two distinct faces, as a centre of industry and of learning, both of which are contained in the work.

There is rather more of town than of town in this final volume. Events are seen through the mind of the academic brother Peter Leonard. By 1948, when it starts, he has reached the age of 38, and he remains in Oxford teaching history until the crunch-year of 1956 with news of the Suez ad-

venture, and the march of Soviet troops into Hungary, reaching him as the story ends.

It was a conscious gamble by the novelist to stake everything on Oxford. It has been done to death in detective fiction and often used by serious novelists such as Compton Mackenzie, Waugh and Murdoch who have looked back to their time there as an essential element in a larger work - *Sister Street, Brideshead Revisited, The Book and The Brothel*.

But to find it treated by a novelist as the summation of a lifetime's experience is unique.

Waugh leaves one in no doubt as to his deep affection for the city in spite of the spoliation of Billy Morris, as the hero's father calls Lord Nurfield.

His clever son, historian of the 18th century, shares Wain's insatiable curiosity about everything from the mating

of his first marriage with the domestic bliss of his second (a cloying note); the pain of the death of his son in a motor-racing accident and the series of disasters that befall other members of the senior common room.

The hero is Wain's alter ego, the Oxford don that Wain never became. Teaching and research was a way of life he firmly rejected when he resigned his lectureship at Reading in 1955 after the success of *Hurry On Down*. Wain could then have become a leading journalist critic in London. But he did not want to be that either. He was made a fellow of the Royal Society of Literature after a year he resigned that upon private life.

Their main function seems to be to distract the reader from the hard core of pain that might otherwise make the book unbearable to read.

Possessing about human possibility is the dominant mood. There is the long agony of Leonard's divorce and humiliating return to live like a single man in college; the pain of trying to reconcile the bitter after-taste

of his first marriage with the domestic bliss of his second (a cloying note); the pain of the death of his son in a motor-racing accident and the series of disasters that befall other members of the senior common room.

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This quintet weave in and out of each other's lives in a novel that is not so much written as delicately scored.

Middleton, joint Booker Prize-winner, is a master technician of the form. His latest piece of work will give much pleasure to its connoisseurs.

encourt married the Duke de Guiche, eldest son of the Duke de Gramont, at the Church of Saint-Louis des Invalides. The right people were still marrying the right people." And the bride was Dior.

So that was all right. In between many pages of political and diplomatic history we have been given the cultural and literary story.

We are assured of the "arrogant irresponsibility" of the French intellectuals, their *trahison des clercs*, the "dictatorship of the progressive intelligentsia", the eventual failure of radical ideas to overcome the French bourgeoisie - big themes - but the reader is not always convinced.

The problem, I suggest, is that the Beevors have bitten off more than they can chew.

They have written an interesting but awkward combination of a political-diplomatic history of France in the immediate aftermath of war and the cultural story of those same years. But in the event, they have fallen between two stools.

J.D.F. Jones

Façade of fragility

Nigel Andrews on the enigmatic Audrey Hepburn

Audrey Hepburn was one of the most entrancing screen heroines of the post-war generation. Yet she never appeared a career film star.

Site hit the word "talent", seemingly, inside the word "dilettante"; which left ana-

grammatical another key Hepburn word, "dieu".

She was an airy, pencil-thin beauty who had suffered from bouts of bulimia and anorexia; and in her later years as a UNICEF worker she looked scarcely less malnourished than the African children with whom she was photographed.

Alexander Walker's biography does this semi-invisible sprite find justice. He subtitled the book "Her Real Story"; which means that the family skeletons are wheeled out early from the walk-in cupboard, brushing through the daughter's Givenchy dresses on the way.

This is piquant stuff for anyone who had suspected a different upbringing; that Audrey - to judge from the pedigree manner - had been brought up in a palace made of porcelain, where the tinkle of tea sets would with the distant cry of peacocks.

Yet a problem childhood - father, as well as being a political rotter, walked out on the family when Audrey was

young - may account for the star-making oddities in her personality.

There was that low, lovely, guilty delivery, full of mysteriously sourced nervous energy.

And there was the feeling, in films as varied as *War And Peace*, *The Nun's Story* and *Breakfast At Tiffany's*, that the life and soaring charm just might be broken, given the right nemesis, on the wheel of

brute ordinariness.

Walker keeps his book moving even when banality does threaten to break into Audrey's life; which is not

AUDREY: HER REAL STORY Alexander Walker Weidenfeld & Nicolson £18.99, 319 pages

often. Chapter headings have the thump of a Saturday matinee for adults. "The Girl With Death in Her Shoes" is the title for the section about Audrey's wartime exploits carrying anti-Nazi leaflets into occupied Europe. And JFK's death has a surreal tragic éclat - the actress broke down in her dressing-room - amid the fluffy frivolity of shooting on *My Fair Lady*.

Like any good heroine in the mystery drama of Life, Audrey also had a doppleganger.

Her career and that of Leslie Caron, Walker notes, were bizarre reflections of each other. Each began as a ballet student; each went on to specialise in adorable gamine roles; each starred opposite Fred Astaire in consecutive 1950s musicals - *Daddy Long Legs* (Leslie) and *Funny Face* (Audrey); each had a major success, on stage or screen, as Gigi and later as Ondine.

But Audrey was more than just a pretty - or funny - face. When Billy Wilder picked her for two early roles in *Sabrina* and *Love In The Afternoon*, it was because he saw the native intelligence: "She looks as if she could spell schizophrenia

and Richard Avedon pounced on her, during his period as a Hollywood shutterbug, and immortalised those strange wide eastern features, like a pixie graduated from a Peking sixth form.

Audrey finally did run into trouble of brute ordinariness. She met and married Mel Ferrer. But Walker argues that she probably needed his protective guidance.

For years he acted as her agent and minder: the only roles he seemed up to in his own dull but persevering career. In *War And Peace* Ferrer's Prince Andrei is the price we pay for Audrey's Natasha and who can forget, once read, Michael Powell's comparison of Ferrer's stage performance in *Ondine* with that of France's Louis Jouvet. "When Jouvet paused, the audience paused. When Mel paused, the whole play stopped dead."

In later years, thanks to spending more time with Mel and the family, Audrey's screen acting became occasionally better. She delivered a brace of late delights in *Two For The Road* and *Robin And Marian*. And for a woman about to tread the famine lands of developing countries, she showed a bizarre persistence, right to the last, in claiming her own glamour rights.

Those Givenchy dresses were a point of principle. She even asked for one to

ARTS

Witness to a cool Shavian triumph

David Murray on *Saint Joan*, George Bernard Shaw's powerful drama

With *Saint Joan* George Bernard Shaw wrote a play that requires a charismatic heroine, but plagues her in only at certain points. It is not, strictly speaking, a star vehicle, and if played like one it usually founders; Shaw had other fish to fry.

At the Strand Theatre, the director Gale Edwards (Australian, female) has got the balance exactly right. It stirs mind and heart alike, and if you have intelligent teenage children you should take them along to be stirred as well. Few modern "classics" command our thoughtful sympathies like *Saint Joan*, and still fewer productions do them such faithful justice.

The play is not really about "Jeanne la Pucelle", but about the almost-accidental role she played in a larger, much tougher world of politics and religion, of which she understood nothing.

In fact *Saint Joan* represents a disillusioned, retrospective, 1920s view of History as *Republique*. The heroine is there to fascinate us, but the heart of the drama – and it is drama, not just Shavian sparring – lies in the different ways she is perceived and used by the political masters, both the French (Reims) and the English.

All Joan has to do is to be, while the real action stretches out around and beyond her. In the small person of Imogen Stubbs, she is a marvel of bright-eyed energy, from her first bounding entrance. Distinctly elfin, in fact, with balletic touches, and much more *gamine* than *pariser*; one remembered Joan Plowright's homely, no-nonsense activist (a long way back) with some nostalgia.

But Miss Stubbs yields a big, tremulous voice with the best of them, and regularly catches us between the ribs.

Perhaps she could measure a greater distance between eager optimism at the start, and weary desolation at the end.

Those Audrey Hepburn eyes do not change much, and there was an awkward moment when she collapsed to

the floor in despair, too obviously confident of success by strong arms – which she duly got. As a butterfly broken on a wheel, nevertheless, she is a radiant creature.

The production has stark sets by Peter J. Davison, basically vertical slabs that just once open out to give us a fine side-chapel view of the Dauphin's coronation in Reims Cathedral. (Reims, by the way, is sometimes Reims and sometimes "Reims", even in the mouths of different French personae.) That is all to the good; picturesque ramparts are not what the play needs. What it chiefly needs is a solid team of politicos, both temporal and spiritual; and these Miss Edwards has supplied in full measure.

Faced with pages of Shavian debate,

'In the small person of Imogen Stubbs, she is a marvel of bright-eyed energy'

many a director equips his or her actors with a rich variety of ticks to sugar the pill. Not Miss Edwards; instead, she makes the debates supply the characters – the variously foxy or tempering Frenchmen, the blunt or choleric English.

We listen hard. I particularly admired Bruce Purchase's virtuosity with the Archbishop's speeches, which he rattles off quite lucidly at high speed, thus saving vital minutes. There is a good Dunois from Philip Quast, and a properly sullen Cauchon from Paul Webster.

Highest praise, though, for Peter Jeffrey's Inquisitor and Ken Bones' Earl of Warwick, both of them reveling in pawky subtleties. Jeffrey is a genial model of temperate, deadly reasonableness; Bones – with a startling likeness to Norman Tebbit – plays Warwick with an air of cheerful ruthlessness, letting his weary, cynical intelligence peep through as the situation develops. There is just a trace of

pain, and distaste, when the execution has to be got through.

Jasper Britton's artful Dauphin supplies more than comic relief. There is a switch or two too many, but his petulance is genuine and sour.

As young Brother Martin, appalled at seeing the trap close, Nicholas Rowe conveys strength as well as a tender heart. In the epilogue, Gordon

Langford Rowe is splendidly unbuttoned as the plain English Soldier. Among others too numerous to mention, there is no weak link.

As Warwick's testy chaplain, de Stogumber, David Daker for once makes the real voice of Bernard Shaw heard. A plain, thick Englishman, he fulminates and blusters vengefully, but when the chips go down he is

overcome with simple horror.

In his empirical English way, he sees what a burning at the stake means; but having seen it, his revision is absolute.

A real vegetarian's argument, that amid all the thrust and counter-thrust which Shaw mimics with such relish, this is where the stopper comes, the final NO. Shaw was not a cynic.

Theatre/Anthony Thorncroft

Plot-boiling 900 Oneonta

At the opening Leland Crooke as Dandy conveys the approach of hell-fire in a screeching, stressful, performance which wearied me as much as it wearied him.

After the interval, as the family's future falls on Tiger, so does the burden of carrying the whole play.

Ben Daniels, all blond mane and bare-chested glory, copes magnificently as his toys with wimpish brother Gitlo (Jon Cryer, a mess of nervous body wringing and manic self-justification); bombed-out sister Burning Jewel (Ellie Garnett), and whore Palace (a tough,

faithful black servant.

But when Beard lets himself go in a rich, sensual, erotic, often witty, language, especially in the speeches of Tiger and Dandy, then the play transcends its hotchpotch origins and becomes a powerful, poetic force.

Tim Shortall has designed a convincingly realistic set, all slate, rich vegetation and whirling fan, with enough thunder and lightning to suggest that God is taking a close interest in his potential inheritance.

This is the first work of the West End Producers Alliance, which hopes to bring a new audience to the theatre by cutting seat prices.

It is an excellent introduction



Exotic glories: 900 Oneonta

tion, an out-of-control roller-coaster, but with enough gripping images to show just how real the unreality of the stage can be.

The Old Vic.

singing Faure, not Sondheim. This is a highbrow way to talk about someone whose repertory includes "Sweet Georgia Brown" and John Williams's "Can You Read My Mind?" Cook herself is very simple.

"They tell me I belong to the golden age of musical comedy," she remarked on opening night. "I wish they'd told me that then – I'd have had more fun." And very sunny. She can take old chestnuts such as "You've Got to Accenduate the Positive" and make them live again, as if from some core of true faith.

Several of her songs – such as "Better with a Band" and "Sing a Song with Me" – are about singing itself; and others are about dancing. Cook is a stout woman, and yet she is easy with her own body.

She half-dances through some numbers, and there are moments when her jazz sense is such that she slaps all her weight with the beat, on to one foot, and your kinesthetic sense half-expects her to burst into a tap routine.

But she sings a quiet song like "Why Did I Choose You?" from complete inner stillness, only raising her arms slowly as she reached the conclusion, in a gesture so powerful that it embraces the theatre.

She sings "Losing my Mind", she places its numerous little four-note phrases into a structure so firm that she might be



Barbara Cook at Sadler's Wells: long-awaited return after illness

climaxes, but I was amazed this time to hear her amid a hauntingly poignant account of Irving Berlin's "Change Partners and Dance With Me".

Anyone who knows her singing will know how thrillingly she can build even some innocent little songs to powerful

then to taper the song away into the tenderest diminuendo close.

As for "Losing my Mind",

she places its numerous little

four-note phrases into a struc-

ture so firm that she might be

on stage as a Southern family gathers to battle over grand-daddy's will, they are nothing to the drama involved in mounting the production. If it is a hit *900 Oneonta* could transform West End theatre.

For this is the first play put on by the West End Producers Alliance, a group of 17 mainly young, or new, producers who want to make the West End financially accessible to everybody – from angels to audiences. Seats are cheap compared to average West End prices.

This attempt to make theatre-going affordable is only possible because the owner of the Old Vic, David Mirvish, has waived his rent for the first 15 weeks of the run at a personal cost of £50,000 and everyone else involved has accepted minimal rewards.

Producer Frank Gero is not mad enough to try and cut Equity fixed salaries but the American star, Jon Cryer, has accepted £400 a week instead of the thousands he might have anticipated from a London run, and David Beard is receiving a £1 advance as against the usual £5,000 for the writer.

Everyone, from director to stage crew, has gone along with the cost-cutting, which

It all comes down to money, which these days means the Lottery

has enabled *900 Oneonta* to arrive at the Old Vic with up-front production expenses of £90,000, as against a more typical £160,000, and weekly running costs of just £17,000, two thirds of the usual bill.

If 60 per cent of the 1,067 seats are sold for each performance the up-front costs will have been recouped in 11 weeks and then everyone can expect a modest pay rise. And if *900 Oneonta* is a hit then those theatre owners who are dragging their feet at the idea might see this as the salvation of a West End theatre currently wilting in the heat. Whatever the outcome the West End Producers Alliance has its next play primed for September.

□ □ □

Unison the 1993 merger of the three unions, Nalgo, Cohse, and Npse, is using the arts to make itself better known. It is putting £15,000 behind the British premiere of Dario Fo's latest play *Abducting Diana* which opens during the Edinburgh Festival at the Pleasance on August 13.

Nalgo had always been a minor backer of the arts but had to overcome opposition from the more philistine members of the new union. On the surface the play is a sexual comedy but it also shows that "anarchists are the unwitting tools of the capitalist society" so Unison members can safely attend.

In the cast is Susan Penhaligon who might see her own first play produced during the Edinburgh Festival. It could surprise her: she wrote it after being hypnotised by her psychiatrist husband.

Antony Thorncroft

The plays of Tennessee Williams are like bowls of exotic tropical fruit captured on the turn from bloated ripeness to nascent rotteness.

David Beard, in this impressive pastiche of the master of Deep South Gothic, glories in portraying the fruit in galloping decay. He is totally over the top, leaving audiences suspended in that strange hinterland between the heart-grip of melodrama and the hysteria of farce.

This is the day that Dandy, the oil-rich tycoon who rules his Louisiana brood like an ornamental despot, knows he is to die.

He has done with hypocrisies and wants his family to finally face up to the home truths – the usual malence of incest, abortions, drags and drink and low sperm counts. As the skeletons tumble out of the capacious closet so do the yawns of recognition.

At the opening Leland Crooke as Dandy conveys the approach of hell-fire in a screeching, stressful, performance which wearied me as much as it wearied him.

After the interval, as the family's future falls on Tiger, so does the burden of carrying the whole play.

Ben Daniels, all blond mane and bare-chested glory, copes magnificently as his toys with wimpish brother Gitlo (Jon Cryer, a mess of nervous body wringing and manic self-justification); bombed-out sister Burning Jewel (Ellie Garnett), and whore Palace (a tough,

faithful black servant.

Having got his plot boiling away like a bowl of jambalaya Beard has problems coming to a conclusion.

There are any number of false curtains, and in the end he goes for the Big One, with Dandy's family assuming a metaphor for the United States, which has squandered its inheritance in dissipation, and should hand over to a new generation – a generation with its blood flowing fresh and uncorrupted from a cultural melting pot.

Some of the acting is hit and miss, perhaps because the form of the play favours caricatures – the alcoholic wife, the

plant from her. Every phrase is packed with interest, and every song is shaped from first to last. Has any singer since Callas matched Cook's sense of musical architecture? I doubt it.

It begins with the simple eloquence with which she phrases a line of recitative; you hear her plant lines such as "There goes my young intended. The thing is ended. Regrets are vain" with such simplicity, but with such underlying grace of rhythm that they brand themselves into your mind.

Then, when it comes to the song itself, she shows the point of each note to the phrase and of each phrase to the whole.

The endless variety with which she combines legato and staccato, or distinguishes between staccato and marcato, is exceptionally rare.

In both cases, it is less voice than musicality that makes them so remarkable in both cases, the voice has been nourished by bringing together the pearly upper register with the biting chest notes into one equalised range.

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In praise of a joyful return to the basics

Antony Thorncroft writes on a controversial artist with the exceptional talent of wit

Helen Chadwick is exceptional. Her uniqueness does not come from "Piss Sculptures", the ice artefacts that she moulded by urinating in the Canadian snow, nor from "Cacao", a monumental fountain of heaving, shimmering, bubbling chocolate, a work as stridently sexual as it is coprophilic as it is disturbing, which confronts the ears and noses of visitors to *Effluvia*, her new exhibition at the Serpentine Gallery. Helen Chadwick is exceptional because she is witty.

Most contemporary artists have a miserable vision. Their creations either dwell on the seamy underbelly of life or assume a detached, geometrical, aversion to reality.

Chadwick rejoices in the basics, using her bodily fluids to give a very personal application to her work and getting great pleasure from the commonplace. One of her compositions at the Serpentine consists of a brilliantly decorative balancing of green marmalade circling lustrous pink Windolene - it has been bought by the Prudential to hang in its staff canteen.

The "Piss Flowers", an army of 12 etched snow scenes, somehow become more exciting when you realise that Chadwick and her male partner strained hard in their creation from start to finish.

By happy chance these circumscribed forms also project a sexual image, for, as the catalogue to the show points out,

which strangely eluded Hirst when the 1994 short list was announced this week.

One selector suggested that Hirst's work had failed to progress - seen one mutilated animal, seen them all. Perhaps a mere ability to shock is finally rumoured as a precarious base on which to build a career as an international artist.

Another serendipitous pleasure from *Effluvia* is the catalogue, which wallows in ponderous, philosophical, gobbledegook to describe what just wildly imaginative ideas, cleanly and prettily crafted, and immediately accessible.

If the results are unfashionably decorative, even

uplifting in their primary brightness, Chadwick retains the knock of the avant-garde to shock: Cadbury was quite happy to supply the chocolate for the volcanic heavings of "Cacao" but shied away from a promotional credit. Chadwick is a serious artist but she does not take her creations too seriously. You can buy "Cacao", but she has not yet priced it. Make her an offer - she would settle for a smart BMW.

The Chadwick show will pack them in at the Serpentine, with attendances that will rival those in the spring of 1994. Damien Hirst, who brought in 50,000 ("half the annual attendance at the Courtauld"), points out Julia Peyton-Jones, director of the Serpentine and passionately advocate of the new.

It should certainly secure Chadwick a nomination for the 1995 Turner Prize, an honour

that might just be at the Business Design Centre in Islington, where graduates from many of the nation's art schools are showing, and selling, their creations. This London showcase is an excellent idea, now firmly established.

There are still some London

postgraduate schools that hold aloof, but more fool them. Any one wanting to see where their taxes go, or who wants to buy the next Hockney for £50, should rush along. Of course these days the brightest art students are in love with the market. There is well-produced promotional literature, with

high prices.

In many cases the visitor

will miss the point - the large

installation piece of vast

metre-long knives, cauldrons, and a soundtrack of orgasmic

heavy breathing suggested a

human about to be turned into

dinner, but who knows? Well,

perhaps the artist, Lotti Rad-

ford, does.

Students still seem to be

hooked on the ideas of

Duchamp, now about a century

old, and assorted objects are

trashed all over the stands. Art

in the traditional sense of

drawing, even painting, seems

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But at least the ideas - how-

ever banal, repetitive and dole-

ful, they may be - seem to be

better crafted than in the past.

Sam Crook's contemplation on

hair, climaxing with a beauti-

ful, suspended embossed plait;

Karl Vickers papier-maché

cow; and of course, the delights

of confectionery, the new art

medium. Helen Chadwick has

a lot to answer for, but, really,

the kids are all right.

Anyone seeking the middle

ground between the banal and

the elitist, who wants to dis-

cover where contemporary art

for the private collector stands,

should pop into Angela Flow-

ers, Silver Place, Soho, gallery

during the next week.

She has just completed an

imaginative fortnight at which

daily one established artist -

Eileen Cooper, Glynn Williams

- has chosen another artist

whose work they admire and

who they feel deserves a wider

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artist and priced between £200

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It seems the jury wanted to promote artists who had not yet made the critical breakthrough, who needed a helping hand. But there is no glimmer of a 21st-century Master among this quartet.

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Private View/Christian Tyler

Heir to the sins of the fatherland

Last week he was in Paris with Chancellor Kohl to celebrate Bastille Day and watch Panzer tanks crawl down the Champs Elysées for the first time since the Nazi occupation of the French capital.

This week he was star speaker in London at the German embassy's 50th anniversary "commemoration" of the bomb plot against Hitler.

Manfred Rommel is much in demand these days. As mayor of Stuttgart he represents the prosperous liberal democracy of post-war Germany. As son of Field Marshal Erwin Rommel, the Desert Fox, he is a reminder that even the Nazi dictatorship had its decent face. As peacemaker he has struck up a friendship with David, Viscount Montgomery, son of his father's conqueror at Alamein.

Manfred was 15 and at home with his father when two generals came from Hitler in October, 1944, to offer the field marshal the opportunity of committing suicide by poison.

The Desert Fox accepted but not because he was part of the bomb plot. Although he knew some of the conspirators, said his son, he never believed they would — or could — act. He took the poison because from the end of 1943 he had been telling Hitler the war was lost, and Hitler discovered Rommel was prepared to surrender to the Allies if they were victorious in France.

I asked his son if he felt absolved by his father's sacrifice.

"No, I don't want to say that because my father died by order of Hitler he's a good German and the others who did not die by order were bad Germans. That would be wrong. The people in general were not responsible. A simple German, what should he do? Or even a colonel or divisional commander? He was almost helpless."

He could resign his command, I said.

"Of course. On the other hand he had responsibility for his troops, for others."

What about your father?

"He lived at a time when it was very difficult for a German to

remain honest. Today it's really difficult not to be honest."

Do you feel you should apologise for him?

"Yes, of course, I try to explain. I have to admit that in Germany we had anti-Semitism and that Jews were expropriated, ill-treated, discriminated against. No doubt about that. If it was not accepted it was

"And the Army said 'It's not our problem. It's up to the politicians.' And that was wrong of course. And I cannot deny that my father was also made field marshal by Hitler, not by Emperor William II. He also had a special political responsibility."

Are you ashamed of his attitude, or proud of him as a soldier?

Manfred Rommel talks of war, Hitler, his father, and forgiveness

"I'm proud of him as a person. Because I don't know what I would have done in his place. I would be ashamed of my father if I were absolutely certain that in his place he would have followed a better way."

"I see him in his time. He tried in Africa to be fair — as far as war can be fair. He never pursued any Jewish people in Africa and did not carry out orders from Hitler." He ignored, for example, an order to kill prisoners of the British Eighth Army who had been German citizens.

What about yourself? Do you feel at all ashamed that you were in the Hitler Youth and aspired to the SS?

"No, I don't feel ashamed I was in the Hitler Youth but I feel ashamed and surprised that there was so little concern in Germany when minorities were persecuted, and people did not feel solidarity but were attracted by propaganda and said 'It's none of our business.'

"Many things they didn't know, but many things they did know. This is a lesson we have to learn.

I am still trying to dream up a new world game. I have been at work on it for a fortnight, ever since Miss Lee, my executive assistant, declared that soccer was hideous — 'just groups of hairy men rolling on the ground' — and that virtually all sports, especially those with balls, were fundamentally silly.

She had read that the man who founded Nike — she couldn't remember his name, but was sure he had a beard — had set himself the target of inventing a new game. The more I pondered, the firmer grew my belief that Miss Lee and this man were on to a good thing. Almost all the games we play are unbelievably silly.

Golf, for example, is one of the stupidest activities devised. You manufacture a ridiculously small

about dictatorship.

"And of course I feel ashamed that in the name of Germany millions of people were killed, that we went to war against Poland and Russia and so on."

Manfred Rommel ended the war as an anti-aircraft gunner, a 16-year-old *Lufwaffenoberhelfer*. Now 65, he has been Christian Democrat mayor of Stuttgart, the capital of Baden-Württemberg, for 20 years. He said he has tried to work simultaneously for the integration and cultural protection of the quarter of the city's population who are non-nationals: Greeks, Yugoslavs and Turks.

"What we have to learn from the time of Hitler is to fight for the interests of minorities and see them as part of the whole society."

Do you feel a special responsibility because of Hitler's theories?

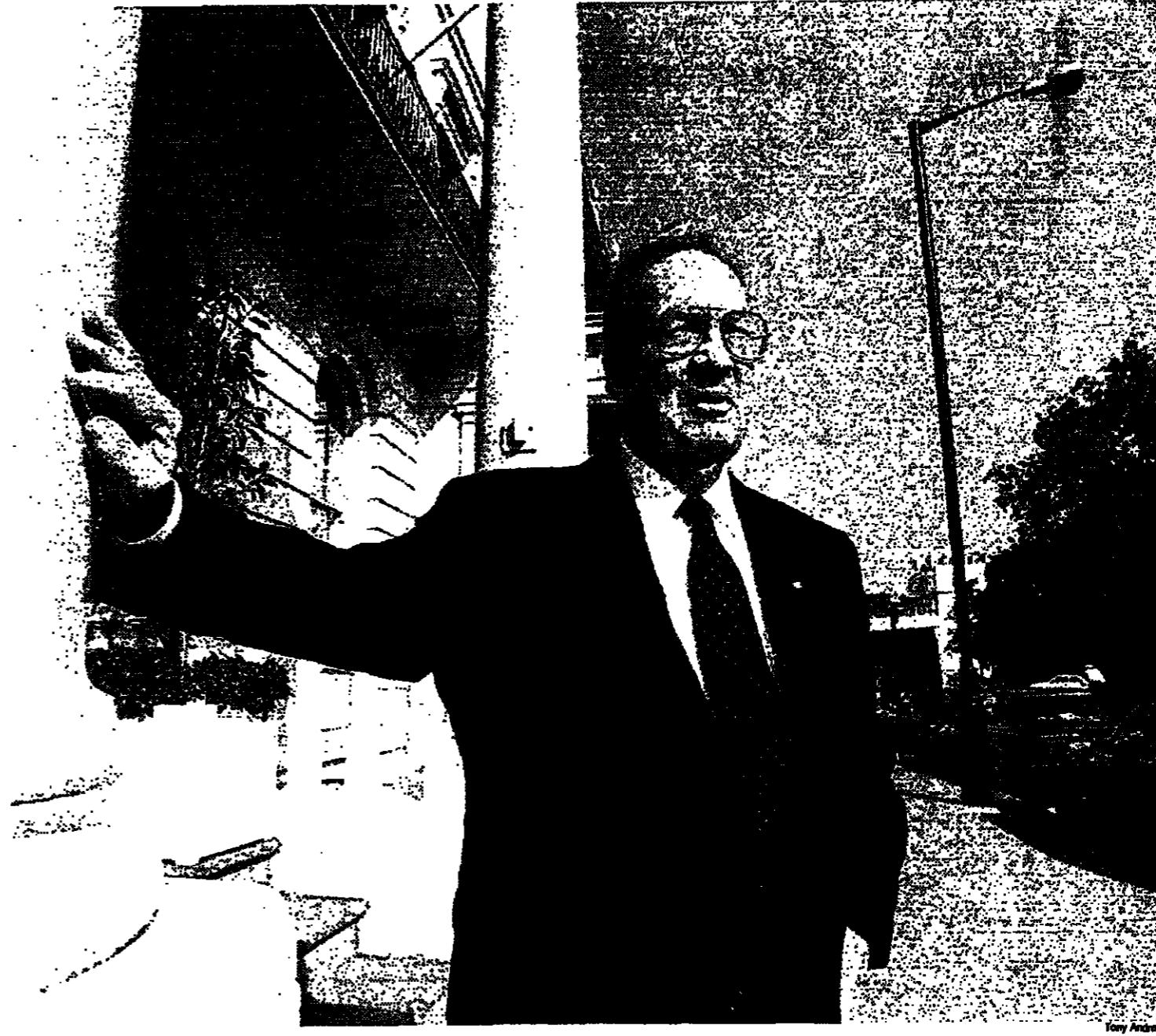
"Not because of Hitler. I am clean of Hitler. I feel a special responsibility because I think it is necessary for the future of Europe — especially for a continental country with many frontiers — to be open to minorities."

He also thinks it wrong to ignore — as Chancellor Kohl is being accused of doing — communist survivors of the German resistance movement. "In Stuttgart we have many communist families who have lost grandparents in the concentration camps. I think it would not be decent to exclude them. Their idea was not to support Stalin, but to fight Hitler."

Rommel has also been preaching the virtues of forgiveness to colleagues in former east Germany. There the victims of communist exploitation find his message hard to swallow, he said. "But without the tolerance shown by the German resistance to those who fought with Hitler, German society after the war would have exploded."

Do you see dangers in the neo-Nazi movement or even in Germany's economic success? Will Germany become again dominant and assertive in Europe?

"No, I don't think so. There is no danger from the Nazi movement. We have some criminals who attack asylum-seekers, and so on. This is



true. But this is no danger for democracy. We will put them in prison. As for ambition, I don't think so. Germany is almost suffering from the fact that it has become bigger. It may want everything else, but not to be dominant in Europe."

Does not unity itself foster a kind of nationalism that could be dangerous one day?

"I don't think so. Nationalism is almost a little bit discriminated against because the younger generation is full of distrust."

"And we have a lot of problems. It is not easy to incorporate a former communist country in a market

economy and free democracy. The east saw us as providing dishwashers and red wine and fruit and holidays in Spain. But now they see us as we really are and they are very much disappointed by the lack of solidarity."

Your generation, I said, is old enough to remember the horrors but too young to have participated in them. Are you afraid that the younger generation will not learn the lessons?

"I would ask: what are the lessons? Some lessons are not learned. But never again will there be National Socialism or anything like

that in Germany. Never."

"What is dangerous is that many people don't see the values of democracy. They don't accept our kind of democracy or say it's not good enough for them. This is dangerous because we will have to face many economic and social problems if we produce more and more with less and less manpower. We need democracy also in critical times."

We have another year of anniversaries before the end of the war in Europe, I said. Will it be a relief when it's over?

"Yes, it will be a relief. We won't stop talking about National Socialism and the Third Reich because it's really important to draw the lesson from them. But I hope that there will be less talk about war."

Are you tired of the responsibility of being your father's son?

"No, I'm not tired. I'm not only my father's son. I have made a career in administration, in politics. Of course I always felt obliged to argue for my father."

"We have to face the future but the past is important to learn from. We cannot change it. But we can interpret it."

The bomb plot, Page IX

What about your father?

"He lived at a time when it was very difficult for a German to

A cut-throat competition

Michael Thompson-Noel

HAWKS & HANDSAWS

sci-fi game, *Assassin*, in which a trained killer arrives in some megapolis and hunts down a human quarry. The event is televised all day. Tension mounts unbearably. As the hunt progresses, you do rather wonder if the person the killer is seeking could be your head of department or even, conceivably, yours.

One that attracts me is that old

denouement is covered on the 6pm news. If the quarry escapes, he (or she) is awarded 25m. If not, he (or she) dies, right there in prime-time, garrotted, shall we say, or vaporised by laser gun.

The victim could be quite ordinary, or someone extremely prominent, such as the micro-brained individual who permits Queen Elizabeth II to stage garden parties at Buckingham Palace in the middle of the working week.

This summer, my progress home from work in my six-year-old Rover has been brought to a halt time and time again by the tumult and scrumming occasioned in the

Mall and along Constitution Hill by hordes of the socially mobile leaving Buck House at the end of one of these parties.

It happened again on Tuesday.

Traffic in central London ground to a complete stop — there was already a heatwave raging — as a motley crowd of party-goers swept from Buckingham Palace and melted about outside. I turned off my engine and surveyed these appealing people.

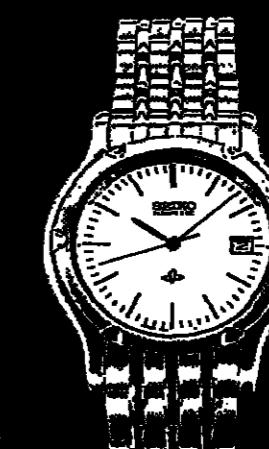
A lot of them seemed to be from parts of Britain that we hoped we had heard the last of — places where ships or cars or other large metal objects used to be manufactured but which are now

reverting to primordial forest, thanks to the ministrations of the Tories, or have been razed and then manacled into back-to-back golf courses.

As well as people from the regions, the swell of party-goers in the Mall on Tuesday included numerous serving officers from our great armed forces — nuclear submarine captains, cavalry and artillery officers, leaders of pike-units from the Tower of London and a lieutenant in charge of a detachment of sad-faced men shouldering arquebuses.

I think *Assassin* would be a good game. But I am sure it can be improved on. By next week I hope to have thought of a better one. If I fail, I will stage a competition to see whether readers can suggest a new world game that would satisfy Miss Lee and the man who founded Nike. A prize will be offered — something really glamorous. Tune in next week.

Good-bye battery



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Continued from Page I

their own notes, which are accepted in English supermarkets if not in corner shops. Yet these are not quite what Hayek envisaged: they are fully backed by cash deposits with the Bank of England. The Old Lady actually prints notes and her officials in Threadneedle Street solemnly put them in separate boxes marked Bank of Scotland and Royal Bank of Scotland.

In Hayek's banking market, in contrast, everyone would have to make judgments about individual banks' credit-worthiness. Since commercial banks' reserves would no longer be pooled centrally, they would have to have more liquid balance sheets and stand ready to convert notes and deposits into real assets, such as gold.

The strength of the case for "free banking", as the abolitionist cause is known, is the poor performance of the existing monetary authorities in delivering price and financial stability. The fact that the central bankers' powers are centralised means that they are open to manipulation by politicians for electoral ends, which introduces a bias towards inflation.

The human and financial resources that central banks pour into supervising commercial banks appear to deliver precious little. Despite all the effort, the English-speaking economies have experienced one banking crisis per economic cycle since the mid-1970s, running from the property crash in 1974, to the Third World debt disaster in 1982, to the property and junk bond fiasco of the late 1980s, and the simultaneous Savings and Loans debacle. Taxpayers have ended up footing a multi-billion dollar bill.

The free bankers argue, entirely plausibly, that the existence of the central bank as the backstop of the system is a cause of this instability. Commercial bankers are less risk-averse when they know there is a lender of last resort. Depositors impose no constraint on bankers' activities if their deposits are statu-

thing by the time of the general election because people aren't stupid and will still vote for Major who is starting to improve his act.

Study the sports pages of our weightiest organs and you will see that almost every type of game that could be invented has been invented. The Daily Telegraph this week even devoted space to the lacrosse World Cup, which is taking place in England and has attracted, thrillingly, a team of Iroquois who are said to stand, together with four other teams, "between England and glory".

Miss Lee is right; we need a fresh approach.

One that attracts me is that old

bank's decisions will be made on the basis of Europe-wide economic conditions, without much regard for domestic economic shocks.

The good news is that the proposed European bank, unlike the Bank of England, is not being set up to finance wars. The bad news is that the relevant protocol of the Maastricht Treaty gives the new European central banking system a greater degree of independence than any other central bank, while offering less accountability to the European parliament than that demanded of any other central bank.

Because long-term interest rates have a disproportionate influence on economic activity in continental Europe, bond markets may even nipp economic recovery there in the bud. They have already put a damper on the British housing market by forcing increases in the fixed rates of interest offered to borrowers by building societies and banks.

In the now liberalised global market place, the central bankers' task is thus double-edged. They must ask not only whether economies are overheating, with inflationary consequences, but whether bond markets are overshooting to the point of threatening serious deflation. Perhaps the bond market over-reaction is the late 20th century equivalent of a free banking panic.

In the smaller and more open economies, however, the central bankers' room for manoeuvre is somewhat curtailed. Sovereignty may still have a strong national dimension for the Americans, the Germans and the Japanese, but for most others — pace Britain's Eurosceptics — it is overshadowed, in the realm of monetary affairs, by the actions of the Big Three and the bond markets.

All of which brings us to what, for the Bank of England, could render any future anniversary a nugatory affair: European economic and monetary union. This would deliver to the Old Lady a spurious form of independence from the British government, while the remaining affairs of influence monetary affairs was transferred to a European central bank — a rape, in fact, by any other name, since the European

is no place to re-run the Maastricht debate. But for those who, like the 18th century pamphleteer, wish to air *Some Considerations against the Continuance of the Bank of England*, history has a lesson. If nothing else, she is a durable old bird. But do not write off the quarter-century yet.

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